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REPARATION COMMISSION.

XXI.

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Report of the Agent-General for Reparation
Payments (July 1, 1929).



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**REPORT
OF THE
AGENT GENERAL
FOR
REPARATION PAYMENTS**

July 1, 1929

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Berlin, July 1, 1929.

TO THE REPARATION COMMISSION.

Sirs:

I have the honour to present herewith an interim Report covering the execution of the Experts' Plan during the first nine months of the fifth Annuity year, through May 31, 1929. This Report gives the usual analysis of reparation payments and transfers for the nine months' period; and it also reviews, in a preliminary way, the development of German economic life during the period of about six months which has elapsed since the presentation of the last Report.

The principal event of the past six months has been, of course, the meeting of the Committee of Experts, which reached a unanimous agreement on June 7, 1929, and transmitted to the Governments concerned and to the Reparation Commission a Report embodying proposals for the complete and final settlement of the reparation problem. The new Plan recommended by the Experts is now in the hands of the Governments and awaits the necessary action on their part to put it into effect. Until then the Experts' Plan of 1924 remains in force, and its provisions continue to govern reparation payments and transfers. But the meeting of the Experts and their unanimous Report have been the facts of most fundamental importance in the period under review, and the present Report takes account of them not only from this standpoint but also because of their essential bearing on the development of the reparation problem as a whole.

In the field of reparation payments and transfers, the present Report covers the first period in which Germany has been called upon to make reparation payments at the so-called standard level prescribed in the Experts' Plan of 1924. The fifth or standard Annuity amounts to 2,500 million gold marks, as compared with the Annuity of 1,750 millions which was paid in the previous year. Except for the contribution from the German budget all the payments that go to make up the Annuity had reached their standard levels in the fourth Annuity year, and the whole increase of 750 millions has, therefore, fallen on the German budget, which contributes 1,250 million gold marks in the fifth Annuity year, as compared with 500 millions in the preceding year.

During the past six months, the budgetary difficulties of the Reich, which had been accumulating for about three years, came to a head, and the result was a severe strain on the cash position of the Reich, which has recently been relieved by a series of special measures undertaken by the German Government. The present Report traces the development of the public finances

through the six months' period, and gives at the same time an analysis of the budget for the current year, 1929-30, which was not finally enacted until June 29, 1929.

German credit and business conditions during most of the period since the last Report have been dominated by exceptional influences, arising, on the one hand, from the unprecedented severity of the winter and the budgetary difficulties of the Reich, and, on the other, from the attraction exercised by the high level of money rates in New York and the suspense incident to the work of the Experts' Committee for the final settlement of the reparation problem. In considering the effects of these and other forces operating on German economic life during the past six months, this Report presents the usual analysis of the facts as they have developed and reviews the position of the German economy as a whole, as it appears at the end of June. In the various fields which it covers, the Report takes account of the official information available up to July 1, 1929.

I. The Administration of the Annuity.

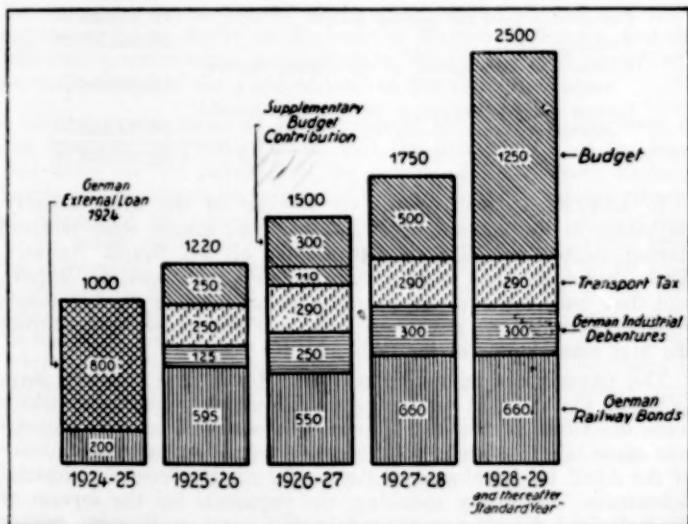
The execution of the Plan, as expressed in reparation payments and transfers, has proceeded regularly during the first nine months of the fifth Annuity year. As in previous years, Germany has made loyally and punctually the payments required by the terms of the Plan. Deliveries and payments for the benefit of the creditor Powers have also been made currently and in increasing volume, under the auspices of the Transfer Committee, without interfering with the stability of the German exchange.

a. The Payment of Reparations by Germany.

Germany paid during the first nine months of the fifth Annuity year, from September 1, 1928, to May 31, 1929, a total of 1,800,007,333.28 gold marks, of which 1,720,833,333.28 gold marks were on account of the fifth Annuity and 79,174,000 gold marks represented payments in completion of the fourth Annuity which did not fall due until September, 1928.

1. Composition of the Payments.

The Annuities payable by Germany in the successive years of the Plan are shown graphically in the table which is attached to this Report as Exhibit I. The progressive increases in the Annuity, and the changes in its composition, from the first to the fifth or standard year, are also illustrated in the following diagram.



Composition of the Annuities.

(In millions of gold marks)

The fifth Annuity under the Plan amounts to a total of 2,500 million gold marks, made up as follows:

	Gold Marks
Contribution from the German budget	1,250,000,000
Transport tax	290,000,000
Interest and amortization on the German Railway bonds	660,000,000
Interest and amortization on the German industrial debentures	300,000,000
Total	<u>2,500,000,000</u>

The fifth Annuity, as compared with the previous year, represents an increase of 750 million gold marks, the whole of which falls on the contribution from the German budget, which amounts to 1,250 million gold marks in the fifth Annuity year as compared with 500 millions in the fourth Annuity year. According to the terms of the Plan, the Annuity reaches the standard amount in the fifth year and thereafter is subject to modification only as it may be increased through the application of the index of prosperity, or as it may be increased or decreased in order to take account of changes in the general purchasing power of gold. The provisions of the Experts' Plan and of the London Agreement in these regards have been described in preceding Reports.

2. Payments on Account of the Fifth Annuity.

The payments for the first nine months of the fifth Annuity year have all been made promptly when due, in conformity with the agreed arrangements. The payments on account of the fifth Annuity may be summarized as follows:

	Gold Marks
Contribution from the German budget	937,500,000.—
Transport tax	193,333,333.28
Interest and amortization on the German Railway bonds	440,000,000.—
Interest and amortization on the German industrial debentures	150,000,000.—
Total	<u>1,720,833,333.28</u>

In addition to the receipts on account of the fifth Annuity, payments to the amount of 79,174,000 gold marks were received during September, 1928, in completion of the fourth Annuity. These payments have already been noted in the previous Report, and they must be taken into account in considering the reparation receipts that became effectively available for expenditure during the first nine months of the fifth Annuity year.

The payments received on account of the fifth Annuity have followed the detailed arrangements for monthly payments which were described in the last Report. In addition, an arrangement was made late in March, 1929, for an advance payment on account of the April 1st instalment of the service of the German industrial debentures. Generally speaking, the payments for the service of the industrial debentures, as explained in previous Reports, cannot be arranged on a monthly basis owing to the fact that the funds destined for this purpose are collected only twice a year through

the Bank for Industrial Debentures, by means of assessments on a very large number of industrial and other concerns. It proved possible, however, as in the fourth Annuity year, to arrange for a partial prepayment of the April 1st instalment, and it was agreed, with the approval of the Reparation Commission and the German Government, that the Bank for Industrial Debentures would make an advance payment to the Agent General in the amount of 25 million gold marks on March 27, 1929, subject to a discount at the rate of 6 per cent per annum for the period in advance of April 1, 1929. The payment of 25 million gold marks, less discount, was accordingly made on March 27, 1929, and the balance of 125 million gold marks on account of the April 1st instalment was paid on the legal due date.

The payments on account of the transport tax contribution for the fifth Annuity year amounted to 193,333,333.28 gold marks up to May 31, 1929, representing eight monthly instalments under the arrangement for regular monthly payments which was described in the last Report. This arrangement was made, as stated in the last Report, without prejudice to any questions of principle, and four additional monthly instalments remain to be paid in respect of the fifth Annuity year, including one in September, 1929, in completion of the year's contribution. For the first nine months of the fifth Annuity year the actual transport tax collections, according to the monthly reports received from the Finance Ministry of the Reich, have amounted to a total of 229,696,018.10 reichsmarks. The eight monthly instalments received on reparation account during the first nine months of the fifth Annuity year are considerably more than covered, therefore, by the actual yield of the transport tax in respect of the nine months' period, and there appears to be no doubt, on the basis of the present figures, that the full year's contribution, amounting to 290 million gold marks, will be realized out of the yield of the tax for the year.

Owing to the terms of the agreement for monthly payments of the transport tax contribution, and the arrangement of the legal due dates for the payment of the service of the German Railway bonds, two payments on account of the fifth Annuity, though accrued in respect of the period prior to September 1, 1929, do not have to be made until September, 1929, the first month of the sixth Annuity year. The payments which will thus remain to be made in September amount to a total of 79,166,666.74 gold marks, consisting of the final instalment in respect of the year's service of the German Railway bonds, in the amount of 55 million gold marks, which falls due on September 1, 1929; and the final instalment of the transport tax contribution in respect of the fifth Annuity year, to the amount of 24,166,666.74 gold marks, which is to be paid on September 21, 1929.

3. Arrangements for the Sixth Annuity.

The provisions for future Annuities will be substantially changed if the Plan recommended in the Experts' Report of June 7, 1929, is adopted by the Governments concerned. Until the new

Plan comes into force, however, the provisions of the Experts' Plan of 1924 continue in effect. The arrangements for the sixth Annuity are accordingly discussed below on the basis of the existing provisions of the Experts' Plan of 1924.

The sixth Annuity under the Experts' Plan now in force, like the fifth Annuity, is at the standard level of 2,500 million gold marks, made up as follows:

	Gold Marks
Contribution from the German budget	1,250,000,000
Transport tax	290,000,000
Interest and amortization on the German Railway bonds	660,000,000
Interest and amortization on the German industrial debentures	300,000,000
	<hr/>
Total	2,500,000,000

The Plan provides, however, for an index of prosperity, and contemplates that the standard Annuities, beginning with the sixth Annuity year, may be increased through the application of the index. The provisions for the constitution of the index have been sufficiently described in previous Reports, and there is no occasion to repeat them at this point. In addition, the Control Protocol contains detailed provisions governing the payment of the supplementary budgetary contributions, if any, which may result from the application of the index of prosperity. At the end of each year of the execution of the Plan, the supplement, if any, has to be computed on the basis of the returns of the preceding calendar year, and the result is then to be communicated to the Reparation Commission. The supplement for the sixth Annuity year, it is specifically provided, "shall be computed by comparing the statistics of the calendar year 1929 itself with the index base and shall be paid before the end of the fourth month of the year 1930-31", that is to say, by December 31, 1930. In other words, the sixth Annuity under the Experts' Plan is subject to increase by the application of the index of prosperity, but the supplementary budgetary contribution, if any, is only to be ascertained at the end of the Annuity year, and to be paid during the first four months of the succeeding Annuity year.

The standard contribution from the German budget, amounting to 1,250 million gold marks in the sixth Annuity year, is payable in equal monthly instalments during the year. These instalments, in accordance with the terms of the Control Protocol, are withheld from the yield of the controlled revenues by the Commissioner of Controlled Revenues and paid over each month to the Agent General for Reparation Payments. Under the existing arrangements, as explained in previous Reports, the monthly payments to the Agent General's account are made in three instalments, the first two of 30 million gold marks each, and the third to cover the balance of 44½ millions. Each instalment is transferred as soon as the amount has accumulated out of the yield of the controlled revenues, and in the ordinary course of events the full monthly payment is realized by the 15th of the month.

The transport tax contribution, amounting to 290 million gold marks, is payable out of the yield of the transport tax. The Railway law provides that payments shall be made in monthly instalments, but in the absence of special arrangements the monthly payments depend upon the monthly yield, which is necessarily variable and subject to the seasonal fluctuations of Railway traffic. For several years past arrangements have been made with the German Government, in agreement with the German Railway Company, for regular monthly payments at the rate of about one-twelfth of the year's contribution each month, beginning with the second month of the year and ending with the first month of the succeeding Annuity year. In the absence of any such arrangement the transport tax contribution would be paid monthly by the German Railway Company to the Agent General in accordance with the monthly yield of the tax.

The service of the German Railway bonds for the sixth Annuity year amounts to 660 million gold marks, and according to the terms of the bonds it becomes payable in two equal instalments on March 1 and September 1, 1930. For the fifth Annuity year, it will be recalled, there is an agreement between the Agent General and the German Railway Company, according to which the payments for the service of the bonds are being made in equal monthly instalments, subject to a discount at the rate of 6 per cent per annum on all payments made in advance of the legal due dates. This agreement, moreover, was to continue automatically from year to year after the fifth Annuity year unless the German Railway Company, on the one hand, or the Agent General, on the other, should give notice before May 31st in any year of a desire to alter the rate of discount or to modify the method of payments for the ensuing Annuity year. The German Railway Company gave notice, on May 28, 1929, that it considered a change in the agreement to be desirable and accordingly denounced it as from the end of the fifth Annuity year. At the same time, the Railway Company declared its intention to make further proposals in the near future with regard to new arrangements for the payments.

The service of the German industrial debentures for the sixth Annuity year amounts to 300 million gold marks, payable in two equal instalments on April 1 and August 25, 1930. Generally speaking, it is impossible, for the reasons discussed in previous Reports, to arrange for these payments on a monthly basis, though in the fourth and fifth Annuity years it proved to be practicable to make special arrangements for partial prepayments with the Bank for German Industrial Debentures.

b. The Distribution of the Annuity.

The distribution of the reparation payments made by Germany has proceeded steadily through the first nine months of the fifth Annuity year, and payments for the benefit of the creditor Powers and for the other objects of expenditure contemplated by the Plan have been regularly made by the Agent General, under authority

of the Transfer Committee. The distribution of the payments is summarized in the following paragraphs and is further described in the chapter relating to the work of the Transfer Committee.

1. Basis of Distribution.

The basis of distribution follows the principles laid down in the Finance Ministers' Agreement of January 14, 1925. These have been fully explained in previous Reports but may be summarized as follows:

The first charge on the Annuity is the service of the German External Loan, 1924.

Next come the priorities recognized by the Finance Ministers' Agreement, consisting chiefly of the costs of administration of the various Inter-Allied Commissions.

After these prior charges come the shares of the creditor Powers themselves, which include not merely their respective shares of reparation on the basis of the so-called Spa percentages, but also the various allowances for army costs, both current and in arrears, the Belgian war debt allotments, the allowances for restitution, and the special share allotted to the United States of America in respect of the awards of the Mixed Claims Commission.

The basis of distribution changes in certain respects from year to year, and the distribution of the payments is always made according to the Annuity to which they belong, without regard to the date when they happen to become available.

In the distribution of the fifth Annuity the allotment to the United States of America for the purpose of satisfying the awards of the Mixed Claims Commission reaches the maximum amount of 45 million gold marks allowed under Article 3 A (2) of the Finance Ministers' Agreement of January 14, 1925.

In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the share of Italy since the beginning of the third Annuity year for the purpose of reimbursing Italy's excess receipts out of Germany's payments and deliveries before the Experts' Plan came into force. By the end of June, 1929, these deductions reached a total sufficient to reimburse the full amount to be repaid by Italy, with interest, on the basis of the provisional figures at present entered in the accounts of the Reparation Commission; and the Commission has accordingly notified the Agent General to suspend deductions from the Italian share, subject to the necessity of repayments having to be made again in the future if any further excess should be established as the result of adjustments being brought to account.

Tables showing the distribution of the third, fourth and fifth Annuities are attached to this Report as Exhibits II, III and IV. The distribution of the third Annuity has not been revised since the preceding Report; the only important point remaining to be determined prior to its final distribution relates to the allowances for current army costs, which have not yet been definitely fixed. The

distribution of the fourth Annuity has been revised so as to take account of the final figures for interest earned and exchange differences, together with a few other relatively minor adjustments; but the distribution is not yet final, since the allowances for current army costs have not yet been definitely fixed. The distribution of the fifth Annuity has also been revised so as to take account of the latest figures for interest received and exchange differences, and the cessation of the deductions from the Italian share under Article 20 of the Finance Ministers' Agreement; but it is still subject to further revision.

2. *Summary of Receipts and Payments.*

The funds at the disposal of the Agent General for Reparation Payments during the first nine months of the fifth Annuity year amounted altogether to 1,996,511,036.43 gold marks. This total was made up as follows: (1) the cash balance brought forward from the fourth Annuity year, amounting to 189,488,944.86 gold marks; (2) the receipts from Germany in September, 1928, in completion of the fourth Annuity, amounting to 79,174,000 gold marks; (3) the receipts from Germany during the nine months' period on account of the fifth Annuity, amounting to 1,720,833,333.28 gold marks; (4) the interest received on cash balances and the gain in exchange during the nine months' period, amounting to 7,014,758.29 gold marks. From the total of 1,996,511,036.43 gold marks there must be deducted the sum of 6,438,108.13 gold marks, representing the agreed discount on advance payments by the German Railway Company and the Bank for Industrial Debentures. The effective balance available for distribution among the creditor Powers and for meeting the other charges contemplated by the Plan thus amounted to 1,990,072,928.30 gold marks.

The payment of prior charges called for 65,141,166.45 gold marks, on account of the service of the German External Loan, 1924, and 7,463,808.92 gold marks for the expenses of the various Inter-Allied Commissions. There remained, after meeting these prior charges, a total of 1,917,467,952.93 gold marks for distribution among the Powers, out of which 1,606,951,770.42 gold marks were actually disbursed during the nine months' period, leaving a cash balance on May 31, 1929, of 310,516,182.51 gold marks. Against this balance there were outstanding commitments on May 31, 1929, to a total of 180,101,329.99 gold marks, consisting of 33,811,199.13 gold marks of accounts payable and 146,290,130.86 gold marks of commitments under approved contracts for deliveries in kind.

The interim accounts of the Agent General for Reparation Payments for the first nine months of the fifth Annuity year, in the form of a Balance Sheet as of May 31, 1929, and a Statement of Receipts and Payments for the period September 1, 1928, to May 31, 1929, are attached to this Report as Exhibits V and VI, respectively. There are also attached two further statements showing the distribution of the payments in greater detail, one appearing as Exhibit VII, which gives the distribution among the Powers of the amounts available for expenditure during the nine

months' period, and the other appearing as Exhibit VIII, which analyzes the payments and accounts payable according to categories of expenditure. The accounts are all kept in gold marks on the basis prescribed in the London Agreement.

3. Use of the Funds by the Creditor Powers.

The creditor Powers have utilized the sums available to them for expenditure during the first nine months of the fifth Annuity year in the following manner:

France.—The total funds available to France amounted to about 1,082,879,000 gold marks. The French Government has taken about 21,847,000 gold marks for the expenses of its army of occupation in the Rhineland. France has also taken about 52,361,000 gold marks through the operation of its Reparation Recovery Act, in the franc equivalent at the Bank of France, and has received cash transfers in foreign currencies to the amount of 326,110,000 gold marks. Of the remainder of the French share about 155,190,000 gold marks were expended for the purchase of coal, coke and lignite, and for transport thereon; 34,457,000 gold marks for chemical fertilizers; 17,519,000 gold marks for sugar; 8,919,000 gold marks for dyestuffs and pharmaceutical products; 6,533,000 gold marks for coal by-products; 4,109,000 gold marks for timber; 29,583,000 gold marks under various contracts for works of public utility; and about 209,800,000 gold marks for miscellaneous payments and deliveries of great variety. The foregoing items total 866,428,000 gold marks, leaving an unexpended balance of 216,451,000 gold marks. Of this balance about 128,983,000 gold marks were held committed on May 31, 1929, to meet payments provided for under approved contracts for deliveries in kind.

Great Britain.—The British share amounted to about 396,697,000 gold marks. The British Government has taken about 9,451,000 gold marks for the expenses of its army of occupation in the Rhineland, and 120,010,000 gold marks in cash transfers, of which 119,610,000 gold marks were transferred in foreign currencies and 400,000 gold marks were applied towards the settlement of certain balances which the British Government agreed to pay to the German Government on account of wages earned by German prisoners of war and civilians interned in Great Britain during the war. The British Government, in addition, has taken about 248,842,000 gold marks through the operation of its Reparation Recovery Act, in the sterling equivalent at the Bank of England. There remained to its credit, on May 31, 1929, an unexpended balance of about 18,394,000 gold marks.

Italy.—The Italian share amounted to about 142,713,000 gold marks. Italy has taken 76,488,000 gold marks for coal and coke and for transport thereon; 1,137,000 gold marks for coal by-products; 987,000 gold marks for dyestuffs and pharmaceutical products; and 46,903,000 gold marks in cash transfers in foreign currencies. There remained on May 31, 1929, an unexpended

balance of 17,198,000 gold marks, of which 3,369,000 gold marks were held committed under approved contracts for deliveries in kind.

Belgium.—The funds available to Belgium amounted to about 99,431,000 gold marks. Belgium has taken about 865,000 gold marks for the expenses of its army of occupation, and has received about 29,368,000 gold marks in cash transfers in foreign currencies. In addition, Belgium has taken about 6,470,000 gold marks for dyestuffs and pharmaceutical products; 6,186,000 gold marks for coal and coke, and for transport thereon; 5,820,000 gold marks for chemical fertilizers; 1,607,000 gold marks for coal by-products; and 39,172,000 gold marks for miscellaneous deliveries of great variety. The foregoing items account for 89,488,000 gold marks, leaving an unexpended balance on May 31, 1929, of 9,943,000 gold marks, of which 5,652,000 gold marks were held committed under approved contracts for deliveries in kind.

Serb-Croat-Slovene State.—The Serbian share amounted to about 73,336,000 gold marks. Serbia received 11,712,000 gold marks in cash transfers in foreign currencies, and expended 205,000 gold marks for dyestuffs and pharmaceutical products; 145,000 gold marks for chemical fertilizers; and 54,021,000 gold marks for miscellaneous payments and deliveries of great variety. There remained on May 31, 1929, an unexpended balance of 7,253,000 gold marks, of which 6,826,000 gold marks were held committed under approved contracts for deliveries in kind.

United States of America.—The total share of the United States amounted to about 70,168,000 gold marks. The United States Government has received during the nine months' period 37,726,000 gold marks in cash transfers on account of its priority for army costs in arrears under Article 3 A (1) of the Finance Ministers' Agreement of January 14, 1925. Practically the whole of the remainder of the American share has been taken in the dollar equivalent under a special agreement with the German Government for regular monthly payments on a basis substantially analogous to the financing of deliveries in kind.

Rumania.—The Rumanian share amounted to about 17,804,000 gold marks. Rumania has expended 17,510,000 gold marks for miscellaneous deliveries, leaving an unexpended balance on May 31, 1929, of 294,000 gold marks.

Japan.—The share of Japan amounted to about 14,412,000 gold marks. Japan has received 3,837,000 gold marks in cash transfers in foreign currencies, and expended 3,601,000 gold marks for chemical fertilizers; 282,000 gold marks for agricultural products; and 2,932,000 gold marks for miscellaneous deliveries, leaving an unexpended balance on May 31, 1929, of 3,760,000 gold marks, of which 143,000 gold marks were held committed under approved contracts for deliveries in kind.

Portugal.—The Portuguese share amounted to about 10,922,000 gold marks. Portugal took 2,110,000 gold marks in cash transfers in foreign currencies, and 8,750,000 gold marks in

miscellaneous deliveries, leaving an unexpended balance on May 31, 1929, of 62,000 gold marks, of which 9,000 gold marks were held committed under approved contracts for deliveries in kind.

Greece.—The Greek share amounted to about 6,795,000 gold marks. Greece took 1,369,000 gold marks in cash transfers in foreign currencies, and expended 3,979,000 gold marks for miscellaneous deliveries, leaving an unexpended balance on May 31, 1929, of 1,447,000 gold marks, of which 1,308,000 gold marks were held committed under approved contracts for deliveries in kind.

Poland.—The Polish share, which arises entirely on account of restitution, amounted to about 469,000 gold marks. Poland has taken 12,000 gold marks in cash transfers, and expended 412,000 gold marks for the purchase of horses and for incidental expenses incurred in that connection, leaving an unexpended balance of 45,000 gold marks on May 31, 1929.

e. The Management of the Annuity.

The current administration of the Annuity has continued on the lines already established, and every effort has been made, as in the past, to secure a steady flow of deliveries and payments to the creditor Powers.

1. Regulation of Programmes.

During the first nine months of the fifth Annuity year the Agent General has continued to follow the practice of arranging regular monthly programmes of expenditure, prepared with due regard to the available receipts and distributed in the manner already described. The draft programmes are prepared for periods of three months at a time and are presented quarterly to the Reparation Commission and the Transfer Committee. This assures advance consideration of the various items of expenditure, as contemplated by the Plan, and gives the creditor Powers sufficient notice of the programmes to enable them to make their own arrangements.

The receipts on account of the fifth Annuity, apart from those for the service of the industrial debentures, come in very evenly throughout the year, and it has been possible, accordingly, to arrange for well-coordinated monthly programmes. The arrangement that was made for the partial prepayment of the April 1st instalment for the service of the industrial debentures contributed further to the even flow of deliveries and payments.

2. Settlement of Old Accounts.

The preceding Report referred to the special account kept by the Agent General for Reparation Payments in order to record, on the one hand, the lump sum advances made to the German Government on account of furnishings and contributions under Articles 8-12 of the Rhineland Agreement during the second and third Annuity years, and on the other hand, the claims assessed and registered in respect of that period. This special account was finally closed on November 30, 1928, when it showed a credit balance in favor of the occupying Powers to the amount of about

34.3 million gold marks. This credit, it was agreed, should be gradually recouped by the cessation of the monthly payments that would otherwise be made to the German Government in respect of current furnishings and contributions. It was agreed, further, that any claims which might be allowed after November 30, 1928, in respect of the second and third Annuity years, would be included with claims in respect of current furnishings and contributions, and would be treated in the same manner. The procedure thus agreed upon has been regularly applied, and by May 31, 1929, the occupying Powers had recouped a total of 17.8 million gold marks, leaving a balance in their favor at that date of 16.5 million gold marks.

It is unfortunately impossible to record any progress in settling the problem of the valuation of requisitions and damages under Article 6 of the Rhineland Agreement. This problem has been outstanding since the very beginning of the Experts' Plan, and a year or more ago there seemed to be some prospect that it would be referred to the Arbitral Tribunal for decision, under an extended reference if that should appear to be necessary. Up to the present time, however, the Conference of Ambassadors and the German Government have not been able to agree upon the submission of the disputed points to arbitration.

3. Administrative Organization.

A summary of the present status of the organization set up for the administration of the Experts' Plan is attached to this Report as Exhibit IX. As appears from this summary, the organization, which numbers 121, includes the staff of the Agent General for Reparation Payments, the Transfer Committee and the several Commissioners and Trustees, as well as the general services of the Office for Reparation Payments.

Mr. Leon Fraser, who had served from the beginning of the Experts' Plan until August 31, 1927, as General Counsel to the Agent General and the several Commissioners and Trustees, and as Representative of the Agent General in Paris, returned early in December, 1928, in order to serve temporarily as General Counsel and Paris Representative in connection with the meeting of the Committee of Experts for the final settlement of the reparation problem. Mr. J. H. Riddle, whose resignation as one of the Economic Advisers of the Transfer Committee, as from December 31, 1928, was recorded in the last Report, returned from the middle of February until the end of May, 1929, for special work in connection with the meeting of the Experts' Committee.

d. Arbitration Proceedings.

There are no questions pending before the Arbitral Tribunal at the present time.

e. The German External Loan, 1924.

The fifth year of the German External Loan began on October 15, 1928. The Agent General for Reparation Payments, acting for the Trustees of the loan, has continued to provide out of the

Annuity, as contemplated by the Plan, the funds required for the service of the loan, and has disbursed about 59.1 million gold marks for this purpose during the first eight months of the fifth loan year up to June 15, 1929. Practically all of this sum was transferred in foreign currencies.

During this period the position of the bonds in the markets of the world has continued to make it difficult for the Trustees to purchase bonds for sinking fund purposes at prices not exceeding those fixed for redemption by drawings. Such purchases have proved possible only in the case of the Italian and American tranches, where about 69 per cent and 9 per cent, respectively, of the funds available for the purpose have been utilized in this manner. The savings resulting from these purchases accrue to the benefit of the Annuity, since they have the effect of reducing the amounts required for the annual service of the loan.

A statement showing the condition of the German External Loan as of June 15, 1929, is attached to this Report as Exhibit X.

II. The Work of the Transfer Committee.

The Experts' Plan provides that all payments on account of reparations, however derived, are to be made in the form of deposits in the Reichsbank to the credit of the Agent General for Reparation Payments. Withdrawals from this account are to be made only by the Agent General, under the control, however, of the Transfer Committee. Under the Plan the Transfer Committee is charged with the duty of regulating the execution of the programmes for deliveries in kind and Reparation Recovery Act payments in such a manner as to prevent difficulties arising with the foreign exchange, of controlling the transfer of cash to the creditor Governments by purchase of foreign exchange, and generally of so acting "as to secure the maximum transfers, without bringing about instability of currency".

The preceding Report, it will be recalled, carried the work of the Transfer Committee through the fourth Annuity year, and presented diagrams illustrating the development of reparation transfers during the first four years of the Plan. During the first nine months of the fifth Annuity year regular monthly transfers have been made, under authority of the Transfer Committee, to an aggregate value of 1,679 million gold marks. The detailed results for the nine months are given below, with some comparative figures for corresponding periods in previous years.

Since the last Report there have been two changes in the membership of the Committee. M. Jean Parmentier resigned in January, 1929, to accept appointment as one of the French members of the Experts' Committee for the final settlement of the reparation problem, after having served since the beginning of the Plan as French member of the Transfer Committee. M. Charles Rist, then Deputy Governor of the Bank of France, was appointed to succeed him, as from January 10, 1929. More recently, Mr. Henry Bell has resigned as British member of the Committee for reasons of ill-health, and the Reparation Commission has appointed Mr. Charles F. Whigham to succeed him, as from June 11, 1929. Mr. Bell was appointed to the Transfer Committee at the very outset of the Plan, and had served continuously as a member of the Committee since November, 1924.

a. Summary of Transfer Operations.

The table below shows the funds available for transfer during the first nine months of the fifth Annuity year and the transfers actually made during this period under authority of the Transfer Committee, all expressed in gold marks:

AVAILABLE FUNDS

Balance as at August 31, 1928	189,488,944.86
Receipts in completion of the fourth Annuity, in September, 1928:	
Transport tax	24,174,000.—
Interest and amortization on German Railway bonds ..	55,000,000.—
Receipts on account of the fifth Annuity, during the period September 1, 1928, to May 31, 1929:	
Budgetary contribution	987,500,000.—
Transport tax	193,333,333.28
Interest and amortization on German Railway bonds ..	440,000,000.—
Interest and amortization on German industrial debentures	150,000,000.—
Interest received on cash balances	6,187,852.97
Gain in exchange	826,905.32
Total	1,996,511,036.43
Deduct:	
Discount on advance payments for service of:	
German Railway bonds	6,417,577.06
German industrial debentures	20,531.07
Total available for transfer	1,990,072,928.30

TRANSFERS

In foreign currencies:	
Service of German External Loan, 1924	65,141,166.45
British Reparation Recovery Act	248,750,324.24
French Reparation Recovery Act	49,127,492.60
Deliveries under agreement to the United States of America	32,426,224.44
Settlement of balances owing for deliveries made or services rendered by Germany prior to September 1, 1924	399,404.49
Transferred in cash	578,756,630.94
Costs of Inter-Allied Commissions	3,230,125.19
By reichsmark payments for:	
Deliveries in kind	664,368,867.72
Armies of occupation	32,163,663.17
Costs of Inter-Allied Commissions	4,233,683.73
Miscellaneous objects	959,162.82
Total transfers	1,679,556,745.79

CASH BALANCE as at May 31, 1929

310,516,182.51

Transfers of all kinds during the first nine months of the fifth Annuity year thus amounted to a total of 1,679,556,745.79 gold marks, as compared with a total of 1,252,411,495.27 gold marks in the first nine months of the fourth Annuity year, and a total of 1,739,297,195.41 gold marks during the entire fourth Annuity year. Out of the total transfers during the first nine months of the fifth Annuity year, transfers in foreign currencies aggregated 977,831,368.35 gold marks, or 58.22 per cent, while the amounts transferred by means of reichsmark payments within Germany

amounted to 701,725,377.44 gold marks, or 41.78 per cent. These percentages indicate a continuance of the tendency which has been noted in previous Reports towards the transfer of an increasing proportion of the Annuity in foreign currencies. The following table shows for each Annuity year thus far the proportion of the total transfers which has been made in foreign currencies, as compared with transfers by means of reichsmark payments.

Transfers effected	In foreign currencies	By reichsmark payments
First Annuity year.....	30.37 %	69.63 %
Second Annuity year.....	35.35 %	64.65 %
Third Annuity year.....	49.45 %	50.55 %
Fourth Annuity year.....	54.23 %	45.77 %
Fifth Annuity year (first nine months) ...	58.22 %	41.78 %

The transfers by reichsmark payments within Germany represent principally payments for deliveries in kind and the expenses of the armies of occupation. The transfers in foreign currencies comprise the service of the German External Loan, and the payments under the British and French Reparation Recovery Acts and under the agreement with the United States of America, as well as the direct cash transfers in foreign currencies. The cash transfers themselves include the monthly payments made on account of the priority of the United States of America for army costs in arrears, as well as the cash transfers for general distribution among the creditor Powers.

The cash balance on May 31, 1929, amounted to 310,516,182.51 gold marks, against which there were outstanding commitments to a total of about 180 million gold marks, of which about 34 millions were in accounts payable and 146 millions in outstanding liabilities under approved contracts for deliveries in kind.

b. Development of Deliveries in Kind.

The preceding Report described the general procedure for deliveries in kind, and the actual progress of deliveries through the first four years of the Plan. Their further development during the period covered by the present Report is summarized in the following sections.

1. In General.

During the first nine months of the fifth Annuity year there has been a further increase in the number and value of commercial contracts entered into for execution on reparation account and presented to the Transfer Committee for approval. At the present time, it will be recalled, most of the deliveries in kind are effected through these commercial contracts, but certain deliveries of coal and dyestuffs are still made under special agreements. The value of the special deliveries of coal, however, has gradually declined since the second Annuity year, and increasingly important quantities

are now being delivered under contracts made pursuant to the coal conventions between the Rhineland Westphalian Coal Syndicate and the respective creditor Powers interested in coal deliveries.

The following table gives the comparative figures of deliveries in kind contracts and the values involved during the first nine months of the second, third, fourth and fifth Annuity years:

Deliveries in kind (First 9 months)	Number of contracts	Covered by contracts	Covered by special agreements	Total
		Values, in millions of reichsmarks		
Second Annuity year	3,004	244	255	499
Third Annuity year ..	3,265	422	101	523
Fourth Annuity year	3,400	520	86	606
Fifth Annuity year ..	5,160	803	65	868

Owing to the differences in time which are involved in the execution of contracts, the value of deliveries in kind covered by approved contracts or special agreements during any given period never corresponds exactly with the actual expenditures for deliveries in kind during the same period. But the actual expenditures for deliveries have naturally shown a similar tendency to increase, and they amounted in the first nine months of the fifth Annuity year to a total of about 664 million gold marks, as compared with totals of 542 million gold marks and 412 million gold marks for the same periods of the fourth and third Annuity years, respectively.

France is the Power most interested in deliveries in kind, and the principal French contracts, as usual, have been those for coal, coke and lignite, to a total value of about 158,516,000 reichsmarks. One recent contract of outstanding importance provides for the boring and equipment of a coal mine in Lorraine, at a total price of 49,526,000 reichsmarks. There are also contracts, amounting altogether to about 88,205,000 reichsmarks, for various public works, which are described in greater detail below; contracts to a total value of 29,185,000 reichsmarks for metallurgical machinery; 19,024,000 reichsmarks for electrical material; 16,681,000 reichsmarks for textile machinery; 7,536,000 reichsmarks for machine tools; 59,582,000 reichsmarks for miscellaneous machinery; 45,352,000 reichsmarks for ships and rivercraft; 29,656,000 reichsmarks for wood pulp and paper; 28,480,000 reichsmarks for iron, steel and other metals; 21,106,000 reichsmarks for sugar; 18,727,000 reichsmarks for coal by-products; 17,755,000 reichsmarks for fertilizers and other chemical products; 6,965,000 reichsmarks for telegraph poles, railway sleepers, lumber and other wood products; 2,410,000 reichsmarks for cinematograph films; 2,034,000 reichsmarks for bricks and other refractory products; and 18,268,000 reichsmarks for miscellaneous deliveries.

Italy has taken the usual deliveries of coal, dyestuffs and pharmaceutical products under general agreements, to the total value of 42,772,000 reichsmarks. There have also been contracts for coal to the value of 39,275,000 reichsmarks; and for coal by-products and miscellaneous deliveries to a total value of 415,000 reichsmarks.

Belgium concluded contracts for coal deliveries to a total value of 6,260,000 reichsmarks during the first six months of the fifth Annuity year; but since the end of February, 1929, Belgium has taken no coal on reparation account. Other Belgian contracts include 15,479,000 reichsmarks for fertilizers and other chemical products; 10,648,000 reichsmarks for various kinds of machinery; 7,019,000 reichsmarks for iron, steel and other metals; 5,845,000 reichsmarks for wood pulp and other paper material; and 3,439,000 reichsmarks for miscellaneous deliveries.

The outstanding Serbian contract provides for the delivery of 110 locomotives to the value of 17,616,000 reichsmarks. There have also been contracts to the total value of 3,297,000 reichsmarks for other railway material; 6,226,000 reichsmarks for electrical material; 4,429,000 reichsmarks for machine tools; 2,357,000 reichsmarks for textile machinery, 2,294,000 reichsmarks for agricultural machinery; 9,065,000 reichsmarks for miscellaneous machinery; 6,781,000 reichsmarks for wooden and corrugated iron houses and sheds; 4,965,000 reichsmarks for ships and rivercraft; 4,715,000 reichsmarks for kitchen ranges and cookers; 3,846,000 reichsmarks for steel and steel piping; 3,404,000 reichsmarks for hospital and sanitary material; 2,793,000 reichsmarks for motor cars and lorries; 1,396,000 reichsmarks for scientific instruments; and 2,060,000 reichsmarks for miscellaneous deliveries.

Practically the whole of the Rumanian share during the first nine months of the fifth Annuity year was already committed, as explained in preceding Reports, to pay for railway and sanitary material under contracts passed in previous years. Riders to these contracts have, however, been presented during the period under review, involving further commitments to the amount of 268,000 reichsmarks.

Japan has ordered sulphate of ammonia to the value of 3,669,000 reichsmarks; metallurgical material, 500,000 reichsmarks; books, 340,000 reichsmarks; hops, 282,000 reichsmarks; steel, 131,000 reichsmarks; and a submarine cable, 91,000 reichsmarks.

Portugal has ordered 150 railway cars to the value of 2,493,000 reichsmarks; a dredger for 1,618,000 reichsmarks; and other dredgers, tug boats and barges for 1,448,000 reichsmarks.

The Greek share, as explained in the preceding Report, was entirely committed to the liquidation of two contracts for motor ambulances and motor workshops, as to which a series of disputes had arisen. In the month of August, 1928, the parties were able to reach an agreement on the points in dispute, and in September the contracts were re-submitted in a modified form. Their value remained at a total of 6,658,000 reichsmarks, but there were modifications in the nature of the materials to be delivered and the period over which payments were to be made. The result was to free a portion of the Greek share, and with the beginning of the fifth Annuity year the Greek Government began to present new contracts for deliveries in kind. These include contracts for 1,051,000 reichsmarks for newsprint; 308,000 reichsmarks for boring material;

300,000 reichsmarks for agricultural and other machinery; 170,000 reichsmarks for electrical material; and 150,000 reichsmarks for miscellaneous deliveries.

Poland has contracted for horses to the value of 404,000 reichsmarks.

2. *Exceptional Contracts.*

Contracts which are regarded as exceptional within the meaning of the regulations for deliveries in kind are required to follow a special procedure prescribed by the regulations, and go into execution only in the event of favorable decisions by both the Reparation Commission and the Transfer Committee. Generally speaking, these contracts are divided into the following categories:

- (a) contracts for public works, complete installations and ship-building;
- (b) contracts providing for deliveries or payments extending over more than 24 months;
- (c) contracts for non-rationed commodities involving payments exceeding 12 million gold marks per annum.

The statement which follows shows the exceptional contracts passed by the Transfer Committee during the first nine months of the fifth Annuity year, and the payments which it is estimated will be called for on reparation account:

FRANCE	Reichsmarks
Boring and equipment of a coal mine in Lorraine.....	49,526,000
Construction work in the port of Tamatave (Madagascar).....	12,500,000
Construction of a dam across the Rhine at Kembs.....	9,010,000
Construction work for the canalization of the river Moselle ..	7,160,000
Construction work for the canalization of the Moselle between Uckange and Thionville.....	7,001,153
Improvement work and construction of a lock in the harbor of St. Nazaire	6,723,823
Modifications in the locks of Amfreville-sous-les-Monts in the Département de l'Eure.....	6,503,689
Repairs to the Oise-à-Aisne canal	5,630,000
Construction work for the improvement of the port of Dunkirk ..	5,437,808
Delivery of a motor ship to the Compagnie Générale Trans-atlantique	4,978,000
Construction of a side canal to the river Moselle in the city of Metz	4,069,102
Delivery of an oil tank steamer to the Compagnie Nationale de Navigation	4,086,000
Further repairs to the Oise-à-Aisne canal	3,770,000
Construction of sheds in the port of Marseilles	3,575,891
Construction of a steamship	3,328,901
Improvement work in the harbor of Port-de-Boué and in the canal from Marseilles to the Rhône	3,146,834
Construction of a mole at the port of Bordeaux	2,292,620
Construction of two causeways, quays and a platform at Marseilles	1,627,732
Construction of a dam at Argancy on the Moselle canal.....	1,592,000
carried forward.....	141,959,553

FRANCE (CONTINUED)	Reichsmarks
brought forward.....	141,959,553
Dredging work in the Aire canal	1,543,750
Construction of a dam on the river Moselle between Illange and Uckange	1,455,000
Improvement work on the river Seine	1,454,035
Construction of new siphons in the Aire canal	1,022,602
Construction work in the port of Le Havre	895,000
Cession of certain manufacturing and selling rights to the So- ciété des Automobiles Peugeot	850,000
Delivery of six turbines to the Société des Forces Motrices de la Truyère	709,970
Reinforcement of a concrete reservoir on the Montbeliard- Haute-Saône canal	550,000
Asphalting of roads in the Département de la Moselle	450,000
Re-surfacing with tar macadam of roads in the Département de Meurthe-et-Moselle	343,375
Asphalting of roads in the Département du Haut-Rhin	260,000
Construction and placing of steel platforms for bridges over the Aire canal	190,100
BELGIUM	
Delivery of 9,000 water meters to the Société Nationale de Distribution d'Eau	132,263
SERBIA	
Delivery of a steamship	1,471,362
Factory and quarry installations	1,646,163
Factory installations.....	500,000
Total.....	155,433,173

It now appears that the execution of the two last-mentioned Serbian contracts for factory and quarry installations will not be continued on reparation account, since the German contracting party has been found guilty of a wilful infraction of the regulations for deliveries in kind. These contracts, however, have already been partly executed and payments under them have been made to the extent of 746,135 reichsmarks and 250,000 reichsmarks, respectively. It is also to be noted that a French contract which was included in the list of exceptional contracts shown in the preceding Report, for the complete installation of a paper factory at a price of 11,972,006 reichsmarks, has recently been abandoned by mutual agreement between the parties; no payments, however, had been made under this contract and it had not yet gone into actual execution.

Previous Reports have referred to the law of March 24, 1928, whereby the French Government granted special administrative facilities with the object of stimulating contracts for works of public utility and supplies needed for the economic equipment of France, her colonies, dependencies and protectorates. Since the last Report there have been further decrees in execution of this law, granting partial or total exemptions from customs duties on commodities imported by the French colonies from Germany on reparation account, and also on supplies imported from Germany under deliveries in kind contracts for account of various welfare

and public health institutions in France. The Portuguese Government has also taken steps to facilitate the passage of contracts for reparation deliveries in kind and has created a special "Committee for the Utilization of German Reparations".

3. Coal Deliveries.

Previous Reports have described the coal convention of October 20, 1926, between the French Office for Devastated Mines and the Rhineland Westphalian Coal Syndicate, which had for its object the delivery of reparation coal as nearly as possible on commercial lines. The convention itself was valid only until July 1, 1927, at which date it required confirmation if it was to remain in force. The date for confirmation was postponed from time to time, but by a rider dated March 12, 1929, the convention is now finally confirmed. It continues in force subject to termination on three months' notice in the event of modification of the legally established coal system in Germany, and more especially if the system set up under Annex V of Part VIII of the Treaty of Versailles is terminated, or the Reich coal law is modified; or if restrictions on the import of Coal Syndicate coal are introduced in France; or in the event of German Government restrictions on coal exports to France; and in any event on the expiration of the present agreements for the constitution of the Coal Syndicate, on March 31, 1930.

Since the month of February, 1929, Belgium has taken no deliveries of coal on reparation account. This change, it is understood, does not arise from any abnormal fluctuations in the deliveries of German coal to Belgium, but rather from the fact that for administrative reasons the financial arrangements covering such deliveries are from time to time excluded from reparation account.

4. Deliveries from the Saar Territory.

The preceding Report referred to the agreement that had been made for the twelve months ending March 31, 1929, for a special quota of deliveries in kind from the Saar on reparation account. According to the terms of this agreement, deliveries of a general character were allowed up to a maximum amount of 7.5 million gold marks, and it was provided, in addition, that deliveries from Saar factories of rails and fish plates, sleepers, iron for reinforcing concrete, sections, girders, universal iron and mine rails might also be made within certain maximum tonnages for each category and up to a maximum total value of 15 million reichsmarks for all these categories taken together. An agreement has recently been made, with the assent of the Transfer Committee, extending this arrangement for a further period of six months to September 30, 1929, so that the quota of Saar deliveries is established for this period on a proportionate basis.

5. Extension of the Regulations.

The regulations for deliveries in kind, the so-called Wallenberg regulations, were introduced in May, 1925, and were originally valid for a period of about two years, up to April 1, 1927. The regulations have since been extended from year to year without

modification on the understanding that a revision might be effected as from April 1st in any year, at the request, made on or before January 1st, of any one of the creditor Powers, of the Reparation Commission, of the Transfer Committee or of the German Government. As none of the interested parties, on or before January 1, 1929, had any important modifications to suggest, it was agreed that the regulations should continue in force for another year, on the understanding that a revision might be effected as of April 1, 1930, at the request, on or before January 1, 1930, of any of the parties above mentioned.

e. The Reparation Recovery Acts.

The British and French Recovery Act systems are functioning smoothly and producing the respective monthly quotas in foreign currencies at the Bank of England and the Bank of France. Under the new system for administering the French Reparation Recovery Act, the reserve fund, which serves to cover any temporary shortage in the voluntary surrenders of foreign currencies by German exporters, was provided in the first instance by the Reichskreditgesellschaft, to an amount in French francs equivalent to 4 million reichsmarks. By the end of September, 1928, the whole of this amount, as contemplated in the new arrangement, had been reimbursed to the Reichskreditgesellschaft from the proceeds of surplus surrenders of foreign currencies made by the exporters.

d. Transfers in Cash.

During the first nine months of the fifth Annuity year, the Transfer Committee has made cash transfers for general distribution among the Powers to the aggregate value of about 540 million gold marks, as compared with a total of about 260 million gold marks in the corresponding period of the fourth Annuity year. In addition, the Committee has transferred in cash to the United States of America the dollar equivalent of about 38 million gold marks on account of its priority for army costs in arrears. This priority amounts to 55 million gold marks for the year, and with the agreement of the United States Government the transfers necessary to satisfy it are being made monthly, substantially in proportion to the monthly income available to the Annuity.

The Transfer Committee continues to follow the policy of accumulating the foreign currencies necessary for purposes of cash transfer, as provided in the Plan, by such regular programmes of purchases as "in the judgment of the Committee the foreign exchange market will permit, without threatening the stability of the German currency". The cash transfers to the Powers have been made monthly at the rate of 40 million gold marks in each of the months of September and October, 1928; 60 million gold marks in each of the months of November, 1928, to February, 1929, inclusive; 80 million gold marks in each of the months of March and April, 1929; and 60 million gold marks in the month of May, 1929.

As in previous Reports the expressions "transfers in cash" and "cash transfers" refer to the transfers in foreign currencies which the

Transfer Committee makes from time to time to the creditor Powers, after conversion of German currency, under the provisions of Paragraph IV (b) of Annex 6 to the Plan, as distinguished from the other payments falling within the general description of transfers in foreign currencies, which are made, for example, for the service of the German External Loan, for the costs of Inter-Allied Commissions, in settlement of the British and French Reparation Recovery Acts, and in financing deliveries under special agreement to the United States of America.

e. The German Railway and Industrial Bonds.

No proposals for selling the reparation bonds of the German Railway Company or the German industrial debentures have come before the Transfer Committee since the last Report. The Committee has had no occasion, therefore, to consider this question or to express any opinion thereon.

III. The Work of the Commissioners and Trustees.

The Commissioners and Trustees are all making interim reports at this time covering the work in their respective fields. The following paragraphs summarize the features of their reports which are important from the standpoint of the execution of the Experts' Plan as a whole.

a. The Commissioner of the Reichsbank.

The report of the Commissioner of the Reichsbank, dated July 1, 1929, covers the period from September 1, 1928, to June 30, 1929. The Commissioner discusses the developments during this period in German industry and trade, the course of credit, currency, and the foreign exchanges, and the policy of the Reichsbank, with particular reference to the first half of the year 1929.

In considering the development of Reichsbank policy during this period, the Commissioner remarks that relative ease prevailed in the money market in the early weeks of 1929, owing to "the continued recession in the general business situation (confined though it was within certain limits), the seasonal influences, and the standstill on the stock exchange". The Reichsbank, on January 12, 1929, reduced its discount rate from 7 to $6\frac{1}{2}$ per cent. Subsequently the reichsmark declined considerably on the foreign exchange markets, owing partly to the influence of the money market in New York, and there was an outflow of gold and devisen which brought about a decline in the reserve ratio of the Reichsbank. In April the bills discounted by the Reichsbank increased rapidly; the outflow of gold and devisen became intensified, and by April 23rd, the Commissioner states, the total loss sustained since the middle of January amounted to about 1,000 million reichsmarks. On April 25th, the Reichsbank increased its discount rate from $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent, but in the week ending April 30th, its holdings of gold and reported devisen fell by a further 228 millions. Accordingly, on May 4th, the Reichsbank introduced "rigorous restrictions of credit which, though from the first it was proposed to judge all cases as far as possible on their merits, made it possible to put a definite stop to further presentations of bills for financing devisen purchases which were not absolutely necessary". By May 7th, the reported holdings of gold and devisen had fallen still further, and the reserve ratio stood at 41 per cent, the lowest since stabilization. In a few days, however, "under pressure of the credit restrictions, rates on the money market rose to such an extent that the foreign exchanges had begun by May 13th to move heavily downwards", and the Reichsbank gradually increased its holdings of devisen, and later of gold. In the period from May 7th to June 29th, the Commissioner reports, the gold and reported devisen of the Reichsbank rose by 453 millions and the reserve ratio to 47 per cent. The Commissioner concludes his report as follows:

"The crisis is past. The advantage gained is that it has afforded practical proof that, if the central bank holds firm, there is no ground for fear of a decline in the value of the

currency, and further that, when for any reason confidence is impaired, temporary credit difficulties may indeed result, with all the inconveniences which such difficulties involve for the banking community and for the economic life of the country as a whole, but no depreciation in the value of the currency. The manner in which the Reichsbank has faced and overcome this ordeal constitutes yet another guarantee of the stability of the German currency."

Chapter VI of the present Report gives a further review of credit conditions and the currency in relation to the operation of the Experts' Plan as a whole.

b. The Commissioner for the German Railways.

The position of the German Railway Company is considered at length in the report of the Commissioner for the German Railways, which presents a number of points of interest from the standpoint of the operation of the Experts' Plan as a whole. These are given in the usual summary of the Commissioner's report, to which are added a few general observations regarding the finances of the German Railway Company.

1. Summary of the Commissioner's Report.

The report of the Commissioner for the German Railways, dated June 28, 1929, gives a general survey of the financial position of the German Railway Company as shown by its final accounts for the business year ended December 31, 1928. The Commissioner also describes the developments which have taken place in the first five months of the current business year and the prospects for the remainder of the year.

The Commissioner's review of the financial results of the Company during the year 1928 shows that operating receipts amounted to a total of 5,159.2 millions, representing an increase of 2.4 per cent over the total for 1927, which was 5,039.3 millions. The receipts from passenger traffic alone increased by 4.6 per cent and those from goods traffic by 1.5 per cent during the year. As compared with the Company's first business year (1925), the Commissioner states, there has been an increase in receipts amounting to 10.5 per cent in three years, "which is still equivalent to a satisfactory growth of 3.4 per cent annually". In considering the traffic results of the year 1928, the Commissioner deals separately with two periods, one extending through September 30, 1928, and the other the subsequent period. From January 1st to September 30th, both passenger and goods traffic increased as compared with the corresponding months of 1927, passenger traffic by about 6 per cent and goods traffic by about 2 per cent. From October 1st to December 31st, passenger traffic remained practically the same as in 1927, but goods traffic declined 6.9 per cent as compared with the corresponding months of 1927. On October 1, 1928, the Commissioner recalls, an increase in goods tariffs came into force, while on October 7th a revised classification of passenger traffic, comprising three classes instead of four, was introduced and a new scheme of tariff rates

was applied. These changes, which were fully described in the Commissioner's last report, were expected to yield altogether an increase of about 5 per cent in receipts. But the actual receipts of the Company in the last quarter of 1928 proved to be approximately the same as those of the last quarter of 1927, so that the effects of the new rates appear to have been neutralized during that period by the decline in traffic. The Commissioner's report shows that operating payments during the business year 1928 amounted to a total of 4,294.3 millions, as compared with 4,158.8 millions in 1927, or an increase of about 3 per cent. The increase in operating payments during 1928, the Commissioner remarks, was slightly larger than the year's increase in receipts, and was due entirely to larger expenditure on staff, which rose during the year by 275 millions. Payments for materials, upkeep and renewals, on the other hand, fell by 139 millions, owing to the exercise of strict economy. The increased expenditure for staff, the Commissioner states, is the result of the various measures adopted to improve the position of the personnel, which are analyzed in some detail in his report. Among these measures, he refers particularly to the general increase in the salaries of officials, entailing an additional annual expenditure of about 215 millions, which the Company granted as of October 1, 1927, following the initiative taken by the Government of the Reich. The wages of Railway workmen were also raised on March 27, 1928, under an agreement concluded between the Company and the unions.

The net operating surplus of the German Railway Company for the year 1928 was about 865 millions, as compared with 881 millions in 1927, 860 millions in 1926, and 694 millions in 1925. The operating ratio was 83.24 per cent in 1928, as compared with 82.53 per cent in 1927; 81.06 per cent in 1926; and 85.13 per cent in 1925. The amounts paid out of operating surplus for the service of the reparation bonds of the Company, as shown in the Company's accounts in reichsmarks, amounted to 658.3 millions in 1928, as compared with 590.5 millions in 1927; 574.3 millions in 1926; and 332.7 millions in 1925. These figures, the Commissioner remarks, show that the reparation payments made by the Company have always been amply covered by the net operating surplus. Out of the net operating surplus for 1928, after providing 658.3 millions for the service of the reparation bonds and 2.5 millions for the service of other debt, the Company assigned 75.7 millions to meet dividends on preference shares, 25 millions to depreciation, and 103.2 millions to legal reserve. There remained a surplus of only 0.2 millions to be carried forward, so that for practical purposes the 1928 accounts just balanced and provided only a negligible amount to be added to the surplus of 173 millions carried forward from previous years. This result, the Commissioner considers, is not surprising when it is remembered that the Managing Board of the Company, as early as January, 1928, realized the necessity for a tariff increase in order to meet the new charges imposed on the Company, but that this increase, which was at first rejected by the Government, was not actually introduced until October, 1928, after the matter had been taken to arbitration and the Railway Court had given its verdict in favour of the

Company. Owing to the delays in reaching this conclusion, the Company derived no benefit from the new tariffs until the last quarter of the year, and the Commissioner states it was only enabled to balance its budget by the vigorous efforts of the management to economize and by the development of traffic during the year, which slightly exceeded the original estimates. The Commissioner adds in this connection that while awaiting the additional resources to be obtained from the tariff increase, the Company was obliged to postpone certain expenditure in 1928 which will now have to be borne by the business year 1929.

As to the outlook for the year 1929, the Commissioner reports that the Railway Company has estimated that total receipts will amount to 5,370 millions, or an increase of about 5 per cent as compared with 1928. The decline in goods traffic which began to manifest itself in October, 1928, was accentuated during the early part of 1929 owing to the temporary decline of economic activity, in which the exceptional severity of the winter played a part. But from the beginning of March onwards goods traffic rapidly recovered, and the traffic returns in April showed an increase of about 5 per cent, and in May an increase of 7.4 per cent, as compared with the previous year. Taken as a whole, the Commissioner states, the traffic losses of the first three months of the year have been entirely made good by the greater traffic in April and May, and he adds that it now seems probable that goods traffic for the year will maintain a higher level than in 1928. Passenger traffic during the early months of 1929 fell short of the corresponding months of 1928 by about 5 per cent, but in May there was a substantial recovery, and for the five months taken as a whole the receipts from passenger traffic showed a decrease of only 1.8 per cent in comparison with 1928. During the first five months of 1929, down to May 31st, the total operating receipts of the Company amounted to 2,089 millions, as compared with 2,018 millions during the corresponding months of 1928, or an increase of 3.5 per cent. This percentage, the Commissioner points out, is rather less than the rate of increase on which the budget estimates for the year are based. The Commissioner adds that the estimated receipts as calculated for the year 1929 are just sufficient to cover the estimated expenditures, which comprise operating payments, fixed charges, the service of the reparation bonds, payments to reserves, etc., and also a sum to cover expenditure on extensions. Under operating payments, the budget estimates include expenditure for staff to a total of 2,952.7 millions, representing about 55 per cent of the total receipts and about 67 per cent of the total operating payments. The equilibrium of the year's budget, the Commissioner states, can only be maintained by strict economy, since the estimates leave no margin for additional expenditure.

One difficulty, it appears, already confronts the Company, arising out of the demands of the Railway workmen, who denounced their wage agreement at the end of February, 1929, and asked for increases in pay. The Company took the position that it could not grant the increases demanded unless allowed to increase its rates again. The dispute was submitted to arbitration, and the Reich

Minister of Labor finally declared binding a verdict which, according to the Company's estimates, will entail an additional outlay of about 60 millions a year. On June 12th, following a decision of the Managing Board, the Company addressed to the Transport Minister of the Reich an application for permission to increase its rates on goods traffic enough to produce additional revenue of 45 millions and those on passenger traffic enough to yield a further 10 millions. The Minister replied on June 26th that he was not at present in a position to examine the Company's proposal for an increase in Railway tariffs, and that he considered it necessary to await the subsequent development of the questions arising out of the new Experts' Plan, which, he said, would inevitably affect the future organization of the Company's finances. The Minister added that after September 15, 1929, he would be prepared to define his attitude in the matter. The Company's position, according to the Commissioner, is that the additional charge resulting from the award of the Minister of Labor cannot possibly be offset by reductions in other expenditures, and that it has no other course, consistently with operating safety, but to increase its tariffs to an extent sufficient to cover the new charge imposed upon it. The Commissioner states that there is another element of uncertainty which may affect the budget for 1929, arising out of the necessity of obtaining the capital which the Company is counting on to cover a considerable part of its expenditure on extensions. The budget estimates for 1929 contemplate, in fact, that 113 millions will be assigned out of operating receipts to cover expenditures on extensions, and that the balance of the expenditures on capital account will be financed by capital resources. A small part of the necessary capital will be derived from credits of the Reich and of third parties offered to the Company for the execution of certain works, but the greater part is expected to be obtained by means of loans and other financial transactions to be carried out during the business year. Owing to the conditions prevailing in the German money market, as the Commissioner points out, the Company has not been able to raise any new capital since early in 1928, and it has been obliged, while waiting for conditions to improve, to postpone a part of its capital expenditures in order to make sure that its outlay shall not exceed the resources actually at its disposal.

The Commissioner refers in the further course of his report to the payments made by the Railway Company on reparation account, during the first nine months of the Annuity year, to meet the service of its reparation bonds. These payments, he states, were made regularly in the manner described elsewhere in this Report. The Railway Company has also continued to collect the transport tax on behalf of the Reich, and the Reich has made the prescribed payments on account of the transport tax contribution into the account of the Agent General.

The Commissioner also calls attention to the progress made toward the accumulation of the legal reserve, in conformity with Article 25 of the Company's Statutes, which provides that 2 per cent of the gross operating receipts are to be used each year for that purpose until the maximum amount of 500 millions is reached. At the end of 1928, he states, the amount accumulated in this fund

was 408.2 millions, and the full amount will probably be made up before the end of 1929. The Company will then be relieved, he observes, of an annual burden of some 100 millions a year. Aside from this reserve fund, the Company maintains a "working reserve" representing the net assets turned over to it upon its constitution. This item is entered in the opening balance sheet at 756 millions and has continued to be carried at the same amount since that time. The Company's balance sheet also shows a "reserve for writing off concession". This reserve, the Commissioner states, was originally not assigned to any definite purpose, but is now regarded as intended solely for writing off extensions of plant. These extensions are shown among the assets of the Company at 1,280.8 millions, while the reserve assigned to their writing off stands at 365 millions, or 28.5 per cent of their value. The Commissioner points out, in this connection, that the extensions are all of very recent date and may be considered as having an average age of about two years, so that the reserve for writing off may be regarded as entirely sufficient.

In other sections of his report, the Commissioner gives details on the position of the staff, development of goods and passenger traffic, the upkeep of permanent way and works, electrification, rolling stock, competition from motor transportation, and other matters affecting the business of the Company. In his account of the results obtained from passenger traffic, the Commissioner refers to the new classification which was introduced on October 7, 1928, and described in his previous report; but he states that it will be impossible to judge the effects of the re-classification until the full year has elapsed.

2. The Finances of the German Railway Company.

The summary which has been given of the Commissioner's report shows that the German Railway Company closed its accounts for the business year 1928 with a net operating surplus materially exceeding the standard annual charge of 660 million gold marks for the service of its reparation bonds. In the first half of 1929, after some setbacks owing to the severe winter, its business has continued to develop satisfactorily, giving renewed assurance of its ability to operate successfully as a business concern and to meet the charges imposed upon it. For the year 1929 the Company's budget is balanced on the basis of total estimated receipts of 5,370 million reichsmarks, an increase of about 5 per cent as compared with 1928. According to the Commissioner's report, the estimated receipts as thus calculated are just sufficient to cover the estimated expenditures for the year, including the necessary operating payments and fixed charges, the service of the reparation bonds, payments to reserves, etc., and also a sum of 113 millions toward covering capital expenditures. The Commissioner emphasizes, however, that in order to maintain the equilibrium of the year's budget it will be necessary to exercise strict economy, since the estimates leave no margin for additional expenditure; and he calls attention to the fact that the Company has already applied for an increase in tariffs to cover the increased wages granted to the workmen by the recent arbitral award of the Minister of Labor.

At all times since its organization, as the Commissioner points out, the amounts required for the service of the reparation bonds of the Railway Company have been amply covered by its net operating surplus, which amounted to about 865 million reichsmarks in 1928, as compared with 881 millions in 1927, 860 millions in 1926, and 694 millions in 1925. The standard annual charge for the service of the reparation bonds was paid for the first time in the business year 1928, and amounted, in the reichsmark equivalent, on the basis prescribed in the London Agreement, to 658.3 million reichsmarks, or about 12.7 per cent of the total receipts for the year. Under the new Plan recommended by the Experts' Committee, it is contemplated that the reparation bonds of the Railway Company shall be abolished, together with the foreign participation in the Managing Board; but the Company is to continue to make an annual contribution to the Annuities, in the form of a direct tax, to the amount of 660 million reichsmarks a year for 37 years, and will issue a certificate acknowledging its liability in this respect. The Experts' Report provides that this tax shall be imposed by German legislation and that the receipts therefrom shall be guaranteed by the German Government. It provides further that suitable provision shall be made in the law governing the Railway Company "whereby the private and independent character of the German Railway Company, including its autonomous administration in economic, financial and personnel matters, shall continue for the period of the Plan without interference from the German Government."

c. The Commissioner of Controlled Revenues.

The report of the Commissioner of Controlled Revenues, dated June 21, 1929, covers the first seven months of the fifth Annuity year, down to March 31, 1929, corresponding to the last seven months of the German financial year 1928-29. In the fifth Annuity year the controlled revenues are called upon to provide the standard budget contribution of 1,250 million gold marks, payable at the rate of 104 $\frac{1}{2}$ million gold marks per month. In this connection, the Commissioner refers to the arrangement which he concluded with the Finance Minister of the Reich in February, 1928, under which, from the beginning of the fifth Annuity year, the receipts from the controlled revenues flowing into his account at the Reichsbank have been blocked as from the last working day of each month, and the transfers to the account of the Agent General of the sums required to make up the monthly contribution have been made in three instalments, the first two of 30 millions each and the third of 44 $\frac{1}{2}$ millions, each transfer being made as soon as sufficient funds are available. The Commissioner states that this system has worked well from the start, and that the final instalment has usually been paid by the middle of each month, after which incoming revenues have been automatically released to the German Government. During the first seven months of the fifth Annuity year, the Commissioner reports, he has transferred to the account of the Agent General a total of 727,567,098.34 reichsmarks, corresponding to 729,166,666.67 gold marks.

As the Commissioner stated in his last report, the prescribed reserve fund of 100 million gold marks was completely constituted

in June, 1928, and since that time the net profit earned by the investment of the fund has been regularly returned to the German Government. The Commissioner attaches to his report a statement of the income and expenditure of the reserve fund for the period under review, as well as a balance sheet which shows the state of the fund as at March 31, 1929.

The Commissioner includes in his report statements of the yield of the controlled revenues during both the seven months covered by his report and the entire German financial year 1928-29. For the seven months from September 1, 1928, to March 31, 1929, the total yield was about 1,672 million reichsmarks, as compared with a total yield of about 1,698 millions in the corresponding months of 1927-28; and the monthly average was about 239 million reichsmarks as compared with 243 million reichsmarks in the corresponding months of 1927-28. For the entire financial year 1928-29 the actual receipts were about 2,827 million reichsmarks, as compared with the budget estimates of 2,760 millions and an actual yield of 2,890 millions in 1927-28. Thus the total receipts somewhat exceeded the budget estimates, but showed a slight decline as compared with the receipts of the previous year, owing to the fact that customs duties and the sugar tax both produced less revenue, customs duties yielding 146 millions less than in the preceding year and the sugar tax 66 millions less than in the preceding year. A decline in the yield of the customs had been anticipated in the estimates, but, as the Commissioner points out, it proved to be somewhat larger than expected because of the unusually good German harvest of 1928, which led to a sharp decline in imports of cereals. With respect to the yield of the sugar tax, the Commissioner remarks that the decline as compared with the previous year is directly traceable to the fact that the reduced rate of tax was in effect throughout the financial year 1928-29, whereas during the first half of 1927-28 the old rate, which was twice the amount of the present rate, was still in effect. The budget estimates had made allowance for this fact, and the actual yield proved to be somewhat better than the estimates. On the other hand, all the other controlled revenues, namely, the taxes on tobacco and beer and alcohol, showed appreciable increases in 1928-29, both as compared with the budget estimates and as compared with the yield of the previous year. Altogether, the excess yield from these revenues, especially the tobacco tax, was sufficient to cover the shortage in the estimated yield of the customs duties, and to produce for the controlled revenues as a whole an excess of 67 millions as compared with the budget estimates.

For the financial year 1929-30, the Commissioner remarks that the original estimates of the yield of the controlled revenues, as contained in the draft budget presented to the Reichstag in March, amounted to a total of 3,070 million reichsmarks, or an increase of 310 millions over the budget estimates for 1928-29. This increase, however, was based on the theory that the beer and alcohol taxes were to produce 165 and 90 millions more, respectively, in consequence of increased rates and changes in the taxation system, while increased consumption of tobacco and sugar

was expected to bring in 55 millions more than the estimates of the previous year. The estimate for customs duties was kept at the same figure as for 1928-29, on the ground that the decline in that year was due solely to diminished imports of grain in consequence of the abnormally good harvest. These original estimates, however, were subject, as the Commissioner points out, to important modifications in the course of the budget through the Reichstag, including the withdrawal of the bill for an increase in the rate of the beer tax. On June 8, 1929, revised estimates were, in fact, submitted to the budget committee of the Reichstag, which reduced the estimated yield of the controlled revenues in 1929-30 from 3,070 millions to 2,919 millions, or about 92 millions above the actual receipts of 1928-29. These estimates, in the opinion of the Commissioner, do not appear to be over-sanguine, except in the case of customs duties, where the estimate is retained at the same figure as in the budget estimates for 1928-29. At the time of the Commissioner's report, the budget for 1929-30 had not been voted, but as appears elsewhere in the present Report, in the chapter on the German budget, it was finally enacted on June 29, 1929. In the definitive budget estimates, a number of increases were made as compared with the estimates of June 8, 1929, and the total yield for the year is estimated at 2,970 million reichsmarks.

In the further course of his report, the Commissioner reviews the administration of the controlled revenues and gives an account of present and proposed legislative measures affecting their yield. So far as the customs are concerned, he gives detailed figures as to the falling off in customs receipts during 1928-29, owing mainly to the lower cereal importations; and he refers, among other things, to the increase in the rate of the import duty on sugar, under the law of December 14, 1928, and to the efforts of German agriculture to obtain a larger degree of protection on its principal products, especially bread cereals. The tobacco taxes, the Commissioner points out, have yielded increased revenues owing, in part, to the exceptional payments imposed on cigarette factories by the law of March 31, 1928, which was explained in his report of a year ago, but rather more to the increased consumption of cigars and cigarettes. In the first quarter of 1929, consumption appears to have decreased, both in quantity and in value, partly for seasonal reasons but also because of the effects of the severe unemployment of last winter. The process of concentration in the cigarette industry, the Commissioner adds, has made further progress since his last report, until about four-fifths of the total production of Germany is now controlled by two groups. Moreover, the industry as a whole seems to have reached, by concentration and trade agreements, a state of stability and cohesion which, in the Commissioner's opinion, seems much more conducive to a regular tax yield than the previous state of dispersion and unlimited competition. The beer tax has produced larger receipts than in the preceding year, owing entirely to increased consumption in the first three quarters of the year; the plan to increase the rate of this tax seems, however, to have been abandoned by the Government. The revenue from the sugar tax, the Commissioner remarks,

has exceeded the estimates, but it shows the effects of the 50 per cent reduction in the rate, since the increase in consumption following the reduction in the rate has been relatively small. On May 21, 1929, a new law on the alcohol monopoly was enacted, the principal effect of which was to increase the rate of taxation from 330 reichsmarks to 400 reichsmarks a hectolitre, as from June 1, 1929. As from the same date, the alcohol monopoly raised its normal sale price from 500 to 600 marks per hectolitre, or by 30 marks more than the increase in the tax. The law of May 21, 1929, also made certain other modifications, chiefly of an administrative nature, which are summarized by the Commissioner in his report; but he remarks that the changes affect the organic law governing the monopoly only in details, while the bill for the complete reorganization of the monopoly seems to have been indefinitely postponed. The net profit which the monopoly was able to obtain in 1928-29 under the existing law amounted to less than one million marks in addition to the yield of the alcohol tax.

d. The Trustee for the German Railway Bonds.

The report of the Trustee for the German Railway Bonds, dated June 29, 1929, reviews the financial results of the German Railway Company during its business year ended December 31, 1928. The Trustee points out that in this business year for the first time the Railway Company was required to provide the standard sum of 660 million gold marks for the service of its reparation bonds, and he records the fact that all the payments for the service of the bonds are being regularly made when due.

In the course of his report, the Trustee refers to the process of amortization of the Railway bonds, which began in the fourth Annuity year. The amortization payments in this year had the effect of amortizing 110 million gold marks of the bonds, and the total principal amount outstanding was accordingly reduced to 10,890 million gold marks, on September 1, 1928, as compared with the original 11 milliards. In the fifth Annuity year, as shown in the standard table of interest and amortization attached to the Trustee's report of December 12, 1928, the total service of the bonds, which remains constant at the figure of 660 million gold marks a year, is divided between 544.5 millions for interest and 115.5 millions for amortization, so that the total principal amount outstanding on September 1, 1929, will be reduced to 10,774.5 million gold marks. Under the terms of Section 8 (14) of the Statutes of the German Railway Company, the Trustee is required to render half-yearly reports to the Reichsschuldenverwaltung and to the Railway Company on the manner in which the sums paid for interest and amortization of the bonds have been employed. The Trustee states, however, that the Reichsschuldenverwaltung gave its agreement on March 12, 1929, to a proposal of the Trustee that these reports should be made annually instead of twice a year, in view of the fact that amortization takes place only once each year according to the plan of amortization agreed upon between the Trustee and the Railway Company.

The Trustee reports that he has made the appointments of three members of the Managing Board of the Railway Company to fill

the vacancies which arose at the end of the calendar year 1928, by virtue of the drawings for retirement under Section 13 of the Statutes of the Company. Two of those drawn the Trustee re-appointed, and he appointed one new member to fill the remaining vacancy. The Trustee made his appointments in the latter part of December, and the new terms began on January 1, 1929.

e. The Trustee for the German Industrial Debentures.

The report of the Trustee for the German Industrial Debentures, dated June 15, 1929, covers the first half of the fifth Annuity year up to February 28, 1929. In it the Trustee reviews the new measures taken by the German Government in order to insure the application of the industrial charges law and the law for the production of the industrial charge, as well as the results obtained by the Bank for German Industrial Debentures during its fourth business year, ended December 31, 1928.

The Trustee states that during the period covered by his report there have been no new decrees in execution of the industrial charges law. Two further decrees, however, have been promulgated by the German Government in application of the law for the production of the industrial charge. The tenth such decree, dated December 19, 1928, deals with the collection of the annual payments for the calendar year 1929, and provides that the basis of assessments is to be that of the property tax (Vermögenssteuer) for 1928. This decree also regulates the procedure to be followed in dealing with public undertakings and other special cases, and prescribes March 5 and July 15, 1929, as the dates of payment for the two instalments payable in 1929. The eleventh decree, dated January 3, 1929, determines the rate of payments for the calendar year 1929 at 7.5 per mille of the working capital (Betriebsvermögen) of concerns subject to the law for the production of the charge. This rate makes a slight decrease as compared with the rate for 1928, and the Trustee points out that this implies a slight increase in the working capital of the concerns in question.

The Trustee recalls the fact that the annual amount required for the service of the industrial debentures has been at its standard level of 300 million gold marks since the beginning of the fourth Annuity year. The first instalment of 150 million gold marks for the fifth Annuity year fell due on April 1, 1929, and was duly paid into the Agent General's account by the Bank for German Industrial Debentures in the manner already described in the first chapter of this Report. The Trustee also refers in his report to the process of amortization of the industrial debentures, which began during the business year 1928. In consequence of the amortization which took place in 1928, the nominal amount of 5 milliards of industrial debentures was reduced to 4,950 millions, and the Trustee reports that on February 28, 1929, he held this total in the form of 4,369,860,000 gold marks of industrial bonds and 580,140,000 gold marks of negotiable industrial debentures. The Trustee adds that, as explained in his report of November 15, 1928, the industrial charge is now represented by the new individual debentures delivered to him on July 14, 1928, following the second distribution of the charge, and

by the negotiable individual debentures created at the time of the first distribution of the charge, which still remain in his possession after the exchanges made in application of Article 18 of the law. In this connection, the Trustee summarizes the results of the first and second distributions, and remarks that the number of undertakings subject to the industrial charge at the second distribution is 39,949, as against 58,535 under the first distribution.

The Trustee reproduces in his report the balance sheet and profit and loss accounts of the Bank for German Industrial Debentures for the business year ended December 31, 1928, as approved by the annual shareholders' meeting on March 19, 1929. The balance sheet shows, among other things, that at the close of the business year 1928 the "Adjustment and Guarantee Fund Account" in the hands of the Bank amounted to a total of 67.5 million reichsmarks, as against 37.5 millions at the end of the previous year. This fund, the Trustee states, has been formed, in principle, out of the 10 per cent supplement paid for this purpose by the undertakings subject to the charge, under the provisions of Article 10 of the law for the production of the industrial charge. A further item, described as the "Special reserve account under Article 7 of the industrial charges law", appears for the first time in the balance sheet of the Bank, in the amount of 4.478,426 reichsmarks.

IV. The German Budget.

The German budget, taken as a whole, comprises the aggregate budgets of the three taxing authorities, the Reich, the States and the communes. While each of these authorities levies certain taxes, their finances are closely interdependent owing to the large transfers of tax and other revenues which the Reich makes to the States, and the States make to the communes. In 1928-29, for instance, the tax transfers of the Reich to the States amounted to about 38 per cent of its total tax revenues and the States, in turn, transferred to the communes about 40 per cent of their total tax revenues including tax transfers received from the Reich. The Reich constitutes by far the largest single element in the German budget and collects about 70 per cent of the total tax revenues, but only about 43 per cent of the total remains at its disposal, while the remaining 57 per cent is expended by the States and communes.

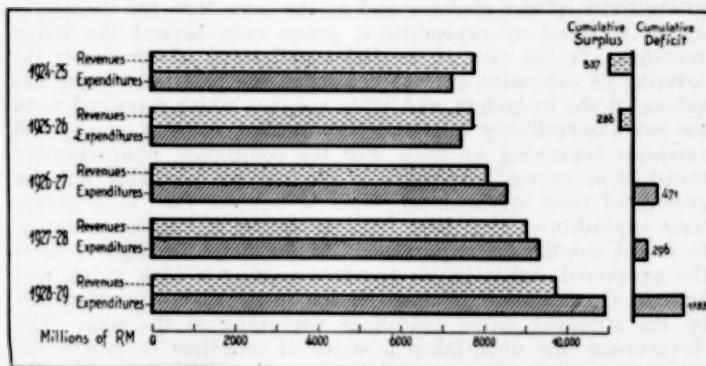
The development of the budgets of the Reich, the States and the communes is described in this chapter to the extent that the published figures permit. The characteristic of the budgets of most of the public administrations in recent years has been the great productivity of the revenues and at the same time the constantly increasing level of expenditures, going even beyond the rising revenues. In the case of the Reich and many of the States the covering of successive current deficits in the past three years has exhausted the budgetary and other reserves which remained from the years immediately following stabilization, and has necessitated extensive borrowing as well. For the communes, comprehensive statistics of current expenditures are not yet available but the growth of their indebtedness seems to indicate that, as a group, their expenditures also have been in excess of current revenues. In recent months the requirements of the Reich for cash to meet the uncovered deficit in its accounts reached a high point, and brought about a state of much tension in its finances, accentuated by the stringent credit conditions prevailing at the time. The Government has since taken a series of measures to relieve the situation, and the Finance Minister of the Reich has officially announced that the Government will soon submit to Parliament "a comprehensive and organic programme on financial policy as a whole".

The recent cash difficulties of the Reich, by reason of their acuteness, have emphasized the unsettling influence which public spending beyond available resources exerts on the credit markets and more broadly, though less directly, on the economy as a whole; and they have given, at the same time, a great impetus to the plans which are being made for financial reform. Altogether, the problem remains one which will yield to the application of standard principles of public finance, for there can be no question that the vitality and steady rise of the revenues, even after far-reaching tax reductions, furnish the essential basis for the satisfactory development of the budgetary position as a whole, if only an effective control over ex-

penditures can be maintained. The new Experts' Plan, which awaits action by the Governments concerned, provides opportunity and an added incentive for the development of a sound financial programme, not merely because of the reductions which it makes in the reparation Annuities, but also because it finally removes the uncertainty as to the extent of Germany's reparation obligations.

a. The Budget of the Reich.

In 1928-29 the revenues of the Reich again increased in a striking way, in spite of the unemployment and business uncertainty which characterized the latter part of the year. Indeed, the steady increase in the revenues of the Reich in the last three years, notwithstanding important tax reductions, has been an impressive reflection of the growth of income, consuming power and taxable wealth in Germany. On the other hand, expenditures have also grown without interruption and the main budgetary problem of the past three years has been to check the expenditures, which have persistently exceeded the revenues. In 1928-29 they so far exceeded the revenues that the year ended, for the first time since stabilization, with a deficit in the budgetary accounts, which was so large as to put a severe strain on the finances of the Reich. The following diagram shows the course of the revenues and expenditures in the last five years:



Actual revenues and expenditures of the Reich.

(Revenues do not include the proceeds of loans or transfers of surplus for general purposes)

To understand the developments of 1928-29 and the present position of the budget a brief analysis of the growth of the expenditures and liabilities assumed by the Reich in these five years is necessary. The largest single item of expenditure is the amount transferred to the States and communes, consisting mainly of fixed proportions, without any maximum limit, out of the yield of several of the most important taxes of the Reich. This heading of expenditure has increased largely, from 2,770 millions in 1924-25 to 3,412 millions in 1928-29. The expenditure item which shows the largest increase is that portion of the reparation charge under the Experts' Plan which is paid through the budget of the Reich, consisting of the budgetary contribution proper, the amount payable out of the yield of the transport tax, and the reserve fund of the Commissioner of

Controlled Revenues. The initial payment made out of the budget was 291 millions in 1925-26. In 1926-27 the payment was 550 millions; in 1927-28, 899 millions; in 1928-29, 1,220 millions; and in 1929-30 the payment reaches its standard amount of 1,540 millions. Apart from the reparation charge, which was fixed at the beginning of the period by the provisions of the Experts' Plan of 1924, the Reich has assumed, during the past five years, many new or increased charges and liabilities, already fully described in these Reports, representing internal adjustments of liabilities arising out of the war or the inflation. The more important of these charges are listed below, according to the years in which they began to affect the budget:

1925-26. Annual contributions to the old age and disability insurance institute to replenish shrinkages in their funds due to the inflation. These amounted in 1928-29 to about 150 millions.

1926-27. Annual payments under the law revalorizing the paper mark debts of the Reich, the normal payment for service of the bonds, etc., amounting to about 325 millions.

1927-28. General increase in the salaries of officials, the pay of the armed forces, and war and civil pensions; the increase, which became effective at its maximum in 1928-29, being estimated at about 400 millions.

1928-29. Unlimited commitment to make advances to the unemployment insurance institute whenever its funds are insufficient to make the payments provided under the law, amounting in 1928-29 to 260 millions.

1928-29. Annual payments under the law finally liquidating the damages sustained by German nationals for property lost abroad as a result of the war, the normal payment amounting to about 85 millions. In addition, the law provided for a special cash payment of 250 millions in settlement of the smaller claims, almost all of which was effected in 1928-29.

In each of these years also, substantial loans, investments, grants and subsidies were made in aid of industry, agriculture, housing, canal construction, etc., many of them to combat unemployment, and increasing amounts have recently been required to absorb losses under the extensive guaranties undertaken by the Reich. Extraordinary expenditures of this character increased markedly in 1926-27 and 1927-28, following the adoption by the Finance Ministry of the policy of covering such expenditures by borrowing. In the budgets of these two years, 1,306 millions of expenditures were authorized through the extraordinary budget without other cover than the authorization to issue a corresponding amount of loans.

Owing to the assumption of these and other budgetary expenditures and commitments during the five-year period the position of the budget has been reversed, from a large surplus in 1924-25, to a considerable deficit in 1928-29. In 1924-25, the first year of tax collections under a stable currency, the revenues proved to be 47 per cent above the estimates which the Government submitted, with all reserve, to the Experts' Committee in February, 1924, and so far above estimated expenditures that heavy claims arising out

of the Ruhr occupation were liquidated and, in addition, a large surplus was realized. In the next year the surplus was much smaller, owing partly to tax reductions and partly to the programme of public spending which had begun to gather momentum. In the last three years, taken together, with the spending programme in full swing, the expenditures outstripped the increasing current revenues by 1,950 millions, exhausted the available surplus of the two preceding years, and at the end of 1928-29 brought about a deficit of 859 millions in the budgetary accounts.

For over two years the Finance Minister of the Reich frequently pointed out to the Reichstag the dangers involved in the budget; the Government in its communiqué as long ago as October, 1927, urged the necessity for economy in public expenditures; and from time to time remedial steps were taken. But until recent months no check was put upon the automatic transfers to the States and communes; no provision other than the authority to borrow was made in the budget for the unlimited liability of the Reich under the unemployment insurance law; and after issuing the internal loan of February, 1927, no effective steps were taken to provide cover of a permanent nature for the growing deficit of the extraordinary budget, concerning which the Finance Minister a few months ago remarked in the Reichstag, "since 1927 we have dragged along with us a dead weight of 1,000 million marks in the extraordinary budget".

In the latter part of 1928-29 a number of the elements of danger in the budget came to a head, partly under pressure of the exceptional conditions then prevailing. The States and communes under the automatic arrangement of the financial settlement drew so large a part of the increase in the total tax revenues that the Reich, for the first time since stabilization, realized less from them than the budget estimates; large advances to the unemployment insurance institute had to be made owing to the severe winter and the accompanying unemployment; and various expenditures, including these advances, brought the deficit of the extraordinary budget up to 905 millions. Altogether, total expenditures exceeded current revenues by 1,183 millions, which caused a severe strain on the cash resources of the Reich. At the end of March, 1929, the amount of cash required to maintain the regular working funds and to cover the deficit and advances made outside the budget, had risen, according to the statement of the Minister, to 1,635 millions. Later the cash requirements rose still higher, and at the ends of April and May the difficulty of finding the necessary funds became acute, particularly in view of the severe credit stringency then prevailing.

The German Government has recently taken a number of special steps to relieve the situation, and has recognized in various official statements the necessity of far-reaching measures of reform. On May 7, 1929, the Government issued a communiqué expressing the opinion that reforms were necessary in the field of unemployment insurance, and it has since appointed a committee of inquiry which is expected to meet early in July and to accelerate its work in such a way that reform of the unemployment insurance law and administration may be effected by September. To reduce the uncovered deficit in the extraordinary budget and thereby relieve the

cash requirements of the Reich, the Finance Ministry, on May 5th, proposed an internal bond issue and the sale of preference shares of the German Railway Company held by the Reich. On May 13th, the Finance Minister in asking the Reichstag to approve these proposals said, "We must put our house in order, and I look upon the present bill as a first step—and an important step—in the direction of order". Both measures were approved by Parliament and the first tranche of the bonds has already been issued. On May 14th, the Finance Minister stated to the budget committee of the Reichstag that "after the conclusion of the Paris negotiations the Reich Government will submit a comprehensive and organic programme on financial policy as a whole, which will be necessary in any event without respect to the outcome of these negotiations". Later, on June 18th, after the Experts' Committee had reached a conclusion in Paris, the Minister indicated in a general way some of the elements of this programme. The first point, he said, must be the clearing up of the budgetary position. The fundamental budget law should be permanently amended so as to give the Finance Ministry increased supervisory powers. When the foundations had been laid by reforming the cash position and eliminating the budgetary deficits, the 1930-31 budget, the Minister believed, would raise the "question of a reorganization of all our financial affairs", and he added that as already stated in his budget speech he regarded the "reduction of the aggregate burden of taxation as an urgent and essential requirement". The Minister then referred to some of the tax questions requiring consideration. If the burden of taxation for agriculture were to be lessened, he said, consideration would have to be given to the interest payments due to the Rentenbank, and to the State taxes on real estate, occupations, etc. As a pre-requisite to solving the problem of these taxes, however, the Minister emphasized the necessity of enacting the bills standardizing them, which were now before the Reichstag. Further, he proposed to submit a bill settling all outstanding claims of the Federal States against the Reich. Lastly, the Minister said, there was the question of a definitive financial settlement between the Reich and the States and communes, "which is now to be taken in hand".

The budgetary difficulties of the past six months, while they have shown the need of a clear and constructive financial programme, have thrown no doubt on the essential soundness of the finances of the Reich. The 1928-29 tax and administrative revenues taken together yielded a total of 9,650 million reichsmarks, the largest amount ever received; while for 1929-30, the budget contemplates total revenues, after certain tax increases, of nearly 10 milliards of reichsmarks, which is over 2 milliards more than the revenues of 1924-25, the year in which the Plan came into effect. Indeed it is more clear than ever, after the recent period of strain, that the steadily rising revenues provide the essential material for budgetary equilibrium and that the budgetary situation as a whole will yield to an effective application of the standard principles of public finance.

The opportunity for carrying out a financial programme also exists, under present conditions, in greater measure than at any time since stabilization. Internally, the German Government has been able to use this period of nearly five years to reduce to a definite

basis a whole series of overhanging liabilities, arising out of the war and the inflation, with which it had not been possible to deal earlier. The list of these measures, already given, is indeed an impressive one, and the financial effects are to be seen not merely in the annual expenditures carried in the budget but also in the figures of the public debt of the Reich, of which, on March 31, 1929, about 5,600 millions represented adjustments of this kind. The resulting burden is heavy, but at least the Reich knows what liabilities it has to face on this series of post-war internal adjustments, and it can make its budgetary plans accordingly.

On the external side, the reparation obligations of Germany constitute the principal budgetary liability of the Reich. The Experts' Plan of 1924, though it provided for currency and budgetary stability and defined the annual reparation payments to be made, still left unsettled the exact extent of the reparation obligations. But the Experts' Report of 1929 provides for the definitive settlement of the reparation liabilities on a basis which not merely gives certainty for the future but also involves important reductions in the Annuities themselves, as compared with those which would be paid under the Experts' Plan now in force. The new Plan, which awaits the necessary action by the Governments concerned to make it effective, thus provides the opportunity and the incentive, as well as the essential basis, for the formulation and execution of a constructive financial programme. Moreover, the reduced Annuities of the new Plan provide a certain margin which will be useful in carrying out the programme. At the outset, the Finance Minister apparently proposes to utilize the amount of these savings towards creating a working fund and covering the existing deficit in the ordinary budget; but more broadly, in connection with the Government's general plans of financial reform, the Minister has stated that he regards the "reduction of the aggregate burden of taxation as an urgent and essential requirement". In this he appears to be in accord with the opinion of the Experts, who expressed themselves in their Report as follows: "The substantial reduction of the budgetary contribution as compared with the Dawes Plan makes possible an immediate resumption of the tax reduction programme which has been in progress since 1924. The Committee hope that such further tax reductions, coupled with a definitive reparation settlement, will give a strong stimulus to saving and thereby materially assist in the internal formation of the new capital which Germany still requires."

1. Comparative Budget Statements.

The revenues and expenditures of the Reich for the six financial years, beginning with 1924-25 and ending with 1929-30, are summarized in the statement on page 43, which is a consolidation of the ordinary and extraordinary budgets. For the first four years the figures are those of the actual accounts. For 1928-29 the revenues and the total of the expenditures are those of the actual accounts, but the details of the expenditures are provisional and subject to minor modifications when the full accounts have been published. The 1929-30 figures are those of the budget estimates, voted at the end of June, 1929.

Consolidated budget statement of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
<i>Revenues</i>						
Revenues brought forward to meet commitments transferred from prior years ¹ ..	—	396	382	59	55	(not included in estimates)
Tax revenues.....	7,322	6,856	7,175	8,490	9,025	9,325
Administrative revenues	435	478	515	471	626	641
Total revenues²	7,757	7,730	8,072	9,020	9,705	9,966
<i>Expenditures</i>						
Tax transfers to States and communes	2,770	2,596	2,626	3,016	3,412	3,272
General administration	1,521	1,884	2,156	2,296	2,414	2,208
Service of the debt	450	262	421	512	501	508
Charges arising out of the war:						
Execution of the Experts' Plan.....	—	291	550	899	1,220	1,541
Internal charges ³	2,108	1,513	1,496	1,560	1,918	1,552
Social expenditures	259	507	811	766	1,094	857
Investments, loans, etc.	112	391	483	267	329	193
Total expenditures	7,220	7,444	8,543	9,316	10,888	10,130
Cumulative excess of revenues over expenditures	537	286	—	—	—	—
Cumulative excess of expenditures over revenues	—	—	471	296	1,183	164 ⁴
<i>Balancing Items</i>						
Transfers from previous surplus	—	276	400	200	162	—
Transfers from special working fund.....	—	—	—	190	62	—
Proceeds of loans actually issued	355	—	329	123	101	—
Proceeds of loans to be issued	—	—	—	—	—	164
Cumulative surplus indicated in accounts	892	562	258	217	—	(Items not ascertainable until close of year)
Cumulative deficit indicated in accounts ²	—	—	—	—	859	
¹ Made up as follows:						
(a) Expenditures not made but carried forward	425	497	705	939	443	
(b) Revenues and loans not realized but carried forward	29	115	646	884	1,147	
Surplus of (a) over (b)	396	382	59	55	—	
Surplus of (b) over (a)	—	—	—	—	704	
² Differences due to rounding off.						
³ Provisional.						
⁴ Excess not cumulative, but for 1929-30 only.						

(a) *The financial year 1928-29.*

The budget for the financial year 1928-29, at the time of its adoption, gave the appearance of a budget of economy, with revenues and expenditures in substantial equilibrium, and carrying no fresh authorizations to borrow. The estimated expenditures showed a net increase of only 385 millions over the actual expenditures of the preceding year, accounted for almost entirely by the rise in the reparation charge. On the other hand, the fact that 939 millions of authorizations to make expenditures were carried forward outside of the budget, coupled with the existence of a deficit of 465 millions in the extraordinary budget, made it clear that, unless funds could be procured by long-term borrowing or by the liquidation of assets, the cash position of the Reich was likely to become difficult during the course of the year.

At the end of the year the accounts showed that the total revenues, in spite of tax reductions, heavy unemployment and other adverse factors prevailing in the last half of the year, had increased by 685 millions over those of 1927-28. The increase in administrative revenues was 155 millions and in tax revenues 534 millions, but of the increase in tax revenues 397 millions were transferred to the States and communes. The benefit of the increase remaining to the Reich was thus only 137 millions, and for the first time since stabilization the increase realized by the Reich was less than the budget had estimated.

On the other hand, total expenditures rose by 1,572 millions, the largest increase since stabilization. The increases, which occurred in all the expenditure groups except the service of the public debt, were due partly to the fact that more than half the authorized expenditures carried forward from 1927-28 were effected during the year, partly to the unprecedentedly high transfers to the States and communes, partly to the increase in reparation payments, and partly to a series of important expenditures consisting of advances to the unemployment insurance institute, purchases of bonds of the Reich loan of 1927, seasonal unemployment relief, arrearages of occupation costs, etc., for most of which no provision had been made in the budget or for which there were no corresponding items in 1927-28.

The effect of the increased expenditures on the ordinary budget was to reduce the cumulative surplus shown in the accounts from 682 millions to 46 millions. But if the authorized expenditures of 200 millions in excess of cover, which are carried forward to 1929-30, are eventually made, the surplus of 46 millions would thereby be converted into a deficit of 154 millions. In the extraordinary budget, increased expenditures and a shrinkage in anticipated revenues caused the uncovered deficit to rise during the year from 465 millions to 905 millions. But if net expenditure authorizations of 73 millions, carried forward to 1929-30, are taken into account, the unrealized cover for expenditures made and to be made would amount to 978 millions. The combined accounts of the ordinary and extraordinary budgets for the year, without taking

into consideration in either case the expenditures carried forward, closed with a net deficit of 859 millions. Thus, 1928-29 proved to be the first year since stabilization in which it was not possible by transfers of previous surplus or by the proceeds of loans issued to bring the budgetary accounts actually into balance.

To carry these deficits required a large and continuous increase in the cash resources of the Reich. At the end of March, as the year closed, the amount of cash which the Treasury found itself under the necessity of providing had risen, according to a statement of the Finance Minister, to a total of 1,635 millions, a sum which, under the strained credit conditions then prevailing, could only be procured with the greatest difficulty. A more detailed description of the developments of the year, particularly as they affected the extraordinary budget and the cash position of the Reich, will be found in the various sections of this chapter.

(b) The financial year 1929-30.

Both the preparation and the progress through Parliament of the budget of 1929-30 were greatly delayed and the budget was not finally enacted until June 29, 1929, practically three months after the commencement of the financial year. In consequence, it was necessary to operate during the first quarter of the year under an emergency budget, which had been enacted on March 26, 1929. The delay in the adoption of the definitive budget was principally due to the difficulties which the Government experienced in securing agreement as to the method to be followed in providing the large additional revenues which were required to cover, on the one hand, increased expenditures appearing in the ordinary budget, and, on the other, the absence of important resources, such as seigniorage from the coinage and the surplus of previous years, which had been drawn upon during the preceding budget year.

The draft budget was presented by the Finance Minister to the Reichstag on March 8, 1929, and was accompanied by a more complete survey than that of the preceding year, setting forth the general financial policy followed since 1924, the cash situation, the extraordinary budget, the guaranties accorded by the Reich, etc. The draft estimates contemplated that additional cover would have to be found to the extent of about 860 millions. Of this amount 527 millions represented a net increase in expenditures over those of the estimates of the preceding year, after taking into account reductions in certain expenditures and the advantage resulting from modifying the calculation of the transfers to the States and communes, discussed below; while the balance represented the amount required to make good the disappearance of the seigniorage revenues and the surplus of previous years, which had been available as cover in 1928-29. The Finance Minister proposed that the 860 millions of additional cover should be provided through increasing the estimates of tax revenues by 640 millions and of administrative revenues by 86 millions, and through fresh authorizations to borrow. The increased tax revenues were expected to result partly from the increased yield of existing taxes, and

partly from increased rates of taxation. The increases in rates of taxation proposed and the estimated additional revenue to be produced thereby were as follows: 20 per cent in the property tax, to produce 104 millions; 50 per cent in the beer tax, to produce 165 millions; 20 per cent in the alcohol tax, to produce 90 millions; and certain modifications in the assessment of the succession duties, to produce 20 millions. The proposal to increase taxes did not meet with approval in the Reichstag, and eventually representatives of the Government parties agreed upon a programme designed to avoid several of the proposed tax increases and to bring the budget into balance by other means. The increased rate of the alcohol tax was retained, the increase in the property tax was reduced from 20 per cent to 8 per cent, and the remaining increases were rejected. To allow for these changes, the estimates of the administrative revenues and of the yield of the tobacco tax were raised, and decreases aggregating 179 millions were made in the expenditure estimates, relating mainly to canal construction, subsidies to aviation, materiel of the army and navy, productive unemployment relief and war pensions. The proposals of the Government parties were generally accepted, but during the debates certain expenditures were added and the estimates of certain tax yields were raised. The net result was a decrease of 132 millions as compared with the total expenditures originally proposed by the Finance Minister, and a corresponding decrease in the additional revenues required as cover.

In the budget for 1929-30, as finally enacted, the estimates of tax and administrative revenues increase 316 millions and the estimates of expenditures decrease 758 millions, as compared with the actual results of 1928-29. But if account is taken of 443 millions of expenditure authorizations brought forward from 1928-29 into 1929-30, the total expenditure authorizations for 1929-30 decrease only 315 millions as compared with the actual expenditures in 1928-29. The expenditures exceed the revenues by 164 millions, and equilibrium is only achieved through a provision in the budget law which requires the old age and disability insurance institute to purchase an equivalent amount of special bonds of the Reich. The tax revenues, it is estimated, will yield 300 millions more than in 1928-29, and in the first two months of the year they have in fact risen 65 millions over those of the corresponding months of the preceding year. As far as may be judged from the experience of so short a period, these results give support to the increased estimates which, for the most part, seem reasonably adjusted to the results of 1928-29. On the other hand, the margin of safety does not appear to be large, and the Finance Minister stated in the Reichstag, on June 18, 1929, that the final estimates "drew without exception on all the reserves . . . in the yield of the direct taxes".

The decrease in the estimated expenditures is spread over practically all the expenditure groups except reparation payments, which rise by 321 millions and for the first time in any budget year reach the standard amount of 1,540 millions provided in

the Experts' Plan, consisting of the budgetary contribution of 1,250 millions, and 290 millions out of the yield of the transport tax. These estimates for reparation payments are based, it should be noted, on the provisions of the Experts' Plan at present in force, without regard to the reductions in the reparation Annuities which will result if the Experts' Report of June 7, 1929, is adopted by the Governments concerned.

The principal reductions of expenditures occur in the internal charges arising out of the war, largely due to the reduction of war pensions and to the fact that the greater part of the cash payments to small claimants under the war damages liquidation law were made last year; in social expenditures, due mainly to the estimated decline in the advances to the unemployment insurance institute, and to smaller appropriations for productive unemployment relief; and in various items of the general administrative expenditures. The Finance Minister, however, in his speech of June 18, 1929, raised a question as to whether these large reductions in expenditure will be realized, by saying:

"It will be necessary to consider in the course of the year, in the light of current receipts and expenditures, whether equilibrium is in fact attained; and it may be necessary under certain circumstances again to hold certain sums in hand for the purpose of necessary adjustments. In this connection I should like to point out that the current budget year will be exceptionally difficult to finance because of the numerous cuts which have been made, leaving little freedom of action. Energetic supervision by the Finance Ministry over the various departments will be required in order to see that all necessary care is exercised in incurring expenditure."

The supervision of the Finance Ministry over expenditures, particularly those of the extraordinary budget, derives its origin from the fundamental budget law. The supervision which this law provides was broadened by provisions in the 1928-29 budget law, and has been further reinforced by provisions in the 1929-30 budget law, which may be summarized as follows:

The extraordinary expenditures authorized, including those transferred from previous years, may only be effected, and obligations to make them may only be assumed, within the limits of the sums made available by the Finance Minister. If the discontinuance or interruption of the work would entail serious economic disadvantages, the Minister may provide funds beyond the amounts actually available. A list of the expenditures so approved, with the reasons for approval, must be submitted to the Reichsrat and the budget committee of the Reichstag.

Agreements, other than those relating to current administration, which obligate the Reich to effect payments beyond the end of the financial year require the assent of the Finance Minister and may not be finally concluded until the necessary funds have been voted by Parliament.

Expenditure authorizations unused and transferred to the succeeding year may be effected only with the assent of the Finance Minister, unless an obligation to pay has been incurred.

These provisions give an important degree of control over expenditures to the Finance Minister of the Reich, and put in his hands the essential measures to restrict expenditures to the limits of available cover, so as to protect the budget against the exceptional drains which have contributed so much to the budgetary difficulties of the Reich in the past few years.

(c) Changes in rates of taxation.

The following changes in rates of taxation affect the financial year 1929-30 and have been taken into account in the budget estimates. The law of May 21, 1929, which increased the rate of taxation of the alcohol monopoly by about 20 per cent, effective June 1, 1929, is expected to increase the yield by 70 millions in 1929-30 and by 90 millions in a full year. The tax on property, which the budget law itself increased by 8 per cent, but only for the year 1929-30, is expected to increase the yield by 40 millions. On the other hand, the slight decreases, effective October 1, 1928, in the tax on salaries and wages and in the income tax collected by general assessment, will exert their influence throughout the whole of 1929-30, whereas in 1928-29 their influence was felt only during the second half of the year.

2. Analysis of Revenues.

The tax and administrative revenues for 1928-29 and 1929-30 are discussed in some detail in the following sections, and comparative figures covering the whole six-year period are given in the accompanying tables.

(a) Tax revenues.

The upward course of the tax revenues, which are shown in detail in the table on page 49, continued throughout 1928-29, and the budget for 1929-30 estimates a further but smaller rise.

In 1928-29 the tax revenues yielded 534 million reichsmarks more than in the previous year. Of this increase, however, only 137 millions remained at the disposal of the Reich. The remaining 397 millions, or 74 per cent of the total increase, were transferred to the States and communes in accordance with the terms of the financial settlement. The loss by the Reich of so large a percentage of the increase in its total tax revenues was due to the fact that the taxes shared proportionally with the States and communes increased 600 millions, while the taxes not so shared decreased 4 millions, and the assigned revenues decreased 63 millions. In the latter group, the decreased yield of the sugar tax reflected the 50 per cent reduction in the tax rate which became effective August 1, 1927, while the decreased customs receipts were largely due to the smaller imports of cereals in consequence of the larger harvest of 1928. On the other hand, the yield of the tobacco, beer and spirits taxes increased substantially under the influence of larger consumption.

For 1929-30, the budget estimates contemplate that the tax revenues will increase by 300 millions over the actual revenues of 1928-29. In the case of the property tax and the tax on alcohol,

Tax revenues of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 estimates
TAXES SHARED PROPORTIONALLY WITH THE STATES AND COMMUNES						
Income tax:						
Salaries and wages (amount deducted at source)	1,332	1,368	1,095	1,348	1,415	1,300
Interest and dividends (amount deducted at source)	19	82	94	135	171	200
General assessment (after above deductions)	862	803	1,065	1,301	1,524	1,430
Corporation income tax	314	187	382	478	608	600
Turnover tax	1,918	1,416	876	878	1,000	1,120
Tax on real estate transactions	29	31	28	38	36	40
Automobile tax	52	58	105	156	181	205
Race-betting tax	30	31	30	34	33	36
Bourse tax	3	—	—	—	—	—
Totals ...	4,559	3,976	3,675	4,368	4,968	4,931
TAXES NOT SHARED PROPORTIONALLY WITH THE STATES AND COMMUNES						
Property tax	499	270	360	442	451	560
Succession duties	26	27	35	72	74	100
Taxes on movement of capital:						
Company tax ²	39	40	58	62	69	72
Tax on securities	5	9	23	21	14	20
Tax on Bourse transactions	113	40	83	66	48	72
Tax on directors' fees	12	14	1	—	—	—
Insurance tax	32	40	46	53	59	59
Lottery tax	19	35	36	42	48	50
Tax on bills of exchange	70	63	36	48	53	50
Transport tax	313	318	312	349	354	380
Non-recurrent and miscellaneous	78	61	48	27	9	11
Totals ¹ ...	1,206	917	1,038	1,182	1,178	1,374
ASSIGNED REVENUES						
Customs	357	591	940	1,251	1,105	1,204
Tobacco tax	514	615	713	794	871	870
Beer tax ²	196	256	241	360	397	396
Sugar tax	219	236	285	224	158	160
Spirits monopoly	141	153	227	261	297	340
Totals ¹ ...	1,427	1,851	2,406	2,890	2,827	2,970
OTHER TAXES ON CONSUMPTION						
Total tax revenues ¹ ...	130	112	56	50	50	50
	7,322	6,856	7,175	8,490	9,025	9,325

¹ Differences due to rounding off.² Payments from this tax are made to certain States.

the higher estimates reflect the increased rates of taxation recently imposed. Estimated customs receipts increase 99 millions over the actual receipts of 1928-29, owing to the expectation expressed in the budget that the cereal harvest of 1929 will not be so favorable as that of last year. Otherwise, the actual returns in 1928-29 appear to have served as the basis for the estimates. In fact, the tax revenues in the first two months of 1929-30 have proved to be 65 millions higher than those of the same months in 1928-29. This increase appears to justify the estimate of a somewhat higher level throughout the year, but the experience of these two months is not enough, of course, to give anything more than a very general indication.

Taxes in arrears, according to the quarterly report of the Finance Ministry to the Reichstag, dated June 17, 1929, increased appreciably in 1928-29. The arrears in the taxes on income, corporation income and turnover rose by 34 millions. Taken as a whole, taxes in arrears increased by 32 millions during the year and on April 1, 1929, amounted to 576 millions. Moreover, it appears that as to 55 per cent of this total, permission to postpone had been granted. Thus, while the arrears represent a potential revenue reserve which is important in amount, experience indicates that at present it is not a reserve which can be considered available.

(b) Administrative and other revenues.

The administrative and other revenues increased 155 millions in 1928-29 and are expected in 1929-30 to increase by a further 15 millions. The figures for the six-year period are summarized in the following table, expressed in millions of reichsmarks:

ADMINISTRATIVE AND OTHER REVENUES	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
<i>Investments, etc.:</i>						
Share in profits of Reichsbank	56	12	4	6	5	5
Surplus from Reichspost	—	—	12	70	150	172
Repayments of advances, interest, etc.	60	49	128	19	46	6
Repayment of relief loans, etc.	20	5	17	31	19	173
Preference dividend, Railway shares	—	—	3	30	-51	51
Utilization of holdings in Reich loan, 1927	—	—	—	—	—	51
Miscellaneous	11	11	16	29	20	20
Totals	147	77	180	185	291	478
<i>Fees, penalties, etc.:</i>						
Fees, fines, patent dues, etc. ..	53	59	48	53	50	50
Canal dues	26	26	32	32	29	33
Finance Ministry, miscellaneous	51	37	44	49	49	46
Other miscellaneous	58	65	62	52	71	34
Totals ¹	188	187	186	186	198	163
Seigniorage on the coinage	100	214	149	100	137	—
Grand totals	435	478	515	471	626	641

¹ Differences due to rounding off.

The increase in 1928-29 came from various sources: 80 millions from the surplus of the Reichspost, 37 millions from seigniorage on the coinage, 27 millions from interest and repayments of advances, and 21 millions from the dividends on the Railway preference shares held by the Reich. The large increase in the Reichspost surplus results from the fact that, beginning with 1928-29, transfers from this surplus are now being made to the Reich Treasury within the year, whereas under the former practice the transfers were postponed until the year following that in which the surplus arose. Thus in 1928-29, besides the 70 millions due in respect of 1927-28, the Reichspost transferred 80 millions out of the 100 millions due in respect of 1928-29, which previously would not have been paid until 1929-30. At the close of 1928-29, a total of 169 millions of estimated revenues, not received, were carried forward into 1929-30, including 20 millions from the Reichspost surplus and 129 millions from seigniorage.

In 1929-30 the budget estimates for administrative and other revenues show an increase of 15 millions. There is a large rise in the estimated revenues from investments, etc., which is due chiefly to the expected repayment of advances of 120 millions made to the States for mortgages on dwellings, and to an increase of 22 millions in the Reichspost surplus. The table also includes an item representing the utilization of 51 millions of Treasury holdings of bonds of the Reich loan of 1927, purchased through the extraordinary budget of 1928-29 in supporting the market for the bonds. As more fully appears below in the section on the service of the debt, these 51 millions are being used, instead of cash, to make the 1929-30 sinking fund payment in respect of the revalorized debt; and in the foregoing table they are accordingly credited among the estimated revenues from investments, etc., as representing a realization of assets of the Reich. No revenue from seigniorage is shown in the table, but it seems probable that something will be realized during the year against the estimate of 129 millions carried forward from 1928-29. The 20 millions of Reichspost surplus, also carried forward from 1928-29, may be expected to be received in full.

3. Analysis of Expenditures.

The expenditures of the Reich shown in the consolidated budget statement on page 43 are classified under six main groups, each of which is analyzed in some detail in the sections which follow. In 1928-29, expenditures increased altogether by 1,572 million reichsmarks, and this increase was spread over all the groups except the service of the debt, which decreased slightly. The 1929-30 budget anticipates net decreases, as compared with the actual expenditures of 1928-29, to a total of 758 millions, principally in respect of transfers to the States and communes, general administration, social expenditures and internal war charges.

(a) Transfers to the States and communes.

The largest single item of expenditure in the budget of the Reich is the amount which the Reich pays over, in monthly instalments,

to the States and communes, consisting principally of proportional shares of the yield of certain Reich taxes. These payments have their origin in the fact that under the law of March 30, 1920, the Reich took over certain State and communal taxes, among them the income tax which had been one of their principal resources. This made it necessary for the Reich to have regard to the provision of the Weimar Constitution to the effect that "if the Reich takes over taxes or other revenues hitherto reserved for the States, it must pay due regard to the maintenance of the ability of those States to exist".

For the six-year period, the amounts transferred to the States and communes may be summarized as follows, in millions of reichsmarks:

TAX TRANSFERS TO THE STATES AND COMMUNES	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	actual	actual	actual	actual	provisional	estimates
Tax transfers:						
Proportional transfers.....	2,767	2,550	2,598	2,929	3,328	3,183
Other	3	46	28	87	84	89
Totals....	2,770	2,596	2,626	3,016	3,412	3,272
Ratio of transfers to total tax revenues, in per cent	37.8	37.9	36.6	35.5	37.8	35.1
Ratio of the increased transfers to the increase in total tax revenues	—	decrease	9.4	29.6	74.0	decrease

The proportional transfers, which constitute by far the largest part of the total, have been regulated over the whole six-year period by a series of provisional settlements governing the financial relations of the Reich with the States and communes. Under the settlement now in force, the States and communes receive 75 per cent of the yield of the income and corporation income taxes, and 30 per cent of the yield of the turnover tax. In addition, they draw their share, which is now 96 per cent, in the yield of the taxes on real estate transactions, automobiles and race-betting. Apart from the proportional tax transfers, the following special payments are made to the States from the budget of the Reich: (a) States which, on the basis of distribution of proportional transfers, receive appreciably less than the average are given supplementary payments from the income tax, which for 1929-30 are estimated at 30 millions; (b) States penalized by the loss of taxable resources through the amalgamation of companies receive payments from the company tax, for which the 1929-30 budget makes no fresh appropriation; (c) Bavaria, Wurtemberg and Baden receive from the beer tax in 1929-30 a maximum amount of 59 millions, as special compensation for their surrender to the Reich of this tax, formerly one of their important sources of revenue.

In 1928-29, the tax transfers to the States and communes not only increased 397 millions over those of the previous year, but the increase was larger than in any preceding year. Moreover, they

exceeded the estimates given in the draft budget of the Reich, on which the States and communes had presumably based their own budget estimates, by 194 millions. The increase in 1928-29 is noteworthy both on account of its amount and because it absorbed 74 per cent of the total increase in the tax revenues of the Reich, owing to the fact that the tax revenues shared proportionally with the States and communes increased substantially during the year, while the taxes not so shared and the assigned revenues, taken together, showed an appreciable decrease. In other words, though the tax revenues of the Reich as a whole exceeded the definitive estimates by 162 millions, the share taken by the States and communes increased by 204 millions, of which, however, 6 millions were in respect of tax receipts of the previous year. The result was that out of the tax receipts of the year 1928-29 the States and communes received 198 millions more than the definitive estimates, while the tax revenues remaining at the disposal of the Reich decreased by 36 millions. This was the first year since stabilization in which the net tax revenues remaining at the disposal of the Reich have fallen below the estimates, and this result, which is directly traceable to the financial settlement, contributed to produce the current deficit in the ordinary budget of the Reich for 1928-29.

The results of 1928-29 give a striking instance of the improvidence for the Reich of the existing arrangements, under which fixed percentages of some of its most important revenues are turned over automatically to the States and communes without regard either to their legitimate needs or to the requirements of the budget of the Reich. Indeed, in the various provisional settlements which have been made up to this time, the needs of the States and communes appear to have been regarded quite frankly as a matter for compromise between the Reich and the States, without any effort to determine them by investigation and analysis. Moreover, whatever may have been the basis on which the financial settlements were concluded, the fact is that in each of the past five years the transfers made to the States and communes have been largely in excess of the amounts which, from the estimates prepared by the Reich or from its draft budgets, they were justified in expecting when they prepared their own budgets. The following figures show the total transfers in excess of the estimates for each of the five years, in millions of reichsmarks:

Financial year	Estimates or draft budgets	Estimated transfers	Transfers in excess of estimates
1924-25	estimates of February, 1924, presented to Experts' Committee	1,800	970
1925-26	estimates of February, 1925, used as basis of financial settlement	2,199	397
1926-27	draft budget, December, 1925.....	2,385	241
1927-28	draft budget, February, 1927.....	2,845	171
1928-29	draft budget, December, 1927	3,218	194

There is no doubt that these windfalls have had the effect of expanding the expenditures of the States and communes, and this fact was recognized by the Finance Minister of the Reich, in his letter of May 22, 1927, to the Agent General for Reparation Payments, on the subject of the financial relations of the Reich with the

States and communes, in the following words: "The transfer of sums totalling far more than the figures contained in the budget, leading to unsystematic expenditure on the part of the States and communes for certain unforeseen needs, can be avoided only by including in the budgets of the latter, from the very beginning, the receipts actually to be expected." The surplus transfers which have been made year after year have clearly been a major influence in encouraging the States and communes into larger and larger expenditures, and in leading many of them into their present practice of budgeting for deficits in the expectation that these will be covered sooner or later by further transfers of revenue from the Reich, or if not, by loans. And few, if any, of the States have taken any steps to reduce their taxes on real estate and occupations, though the law of April 9, 1927, embodying the provisional financial settlement for 1927-28 and 1928-29, obligated them to see to it in respect of their own taxes and those of the communes, as well as in fixing the shares of the communes in transfers from the Reich, that transfers from the income, corporation income and turnover taxes in excess of 2,400 million reichsmarks should be used primarily toward reducing the taxes on real estate and occupations below the level of March 31, 1927.

The Reich, on the other hand, while paying over increasing amounts from its tax revenues to the States and communes, has not only relieved them entirely from their former liabilities in respect of ordinary unemployment relief, the extent of which has been strikingly illustrated during recent months, but has itself undertaken the burden of many national adjustments arising out of the war, including the payment of reparations, the revalorization of its paper mark debt, through which the war was mainly financed, the liquidation of damages for property lost abroad as a result of the war, and the payment of increased subsidies to the social insurance funds to compensate for the shrinkage caused by the inflation. The large annual expenditures involved in these adjustments have been borne entirely by the Reich out of its own budget, but there has been no corresponding or even appreciable increase in its proportion of the total tax revenues of Germany, as is shown by the second table on page 82.

The provisional financial settlement which was in effect as between the Reich and the States and communes during 1927-28 and 1928-29, expired according to its terms on March 31, 1929, but it has now been prolonged with certain modifications for another year. The proportional shares of the States and communes are continued in the same taxes and at the same rates, but before calculating the amount due to them the Reich is authorized to retain for its own use 65 millions from the yield of the income tax, 12 millions from the yield of the corporation income tax and 43 millions from the yield of the turnover tax. This retention, aggregating 120 millions, is to be made, however, only if and to the extent that the aggregate yield of these three taxes exceeds 4,530 millions. In 1928-29 their yield was 4,718 millions, and in 1929-30 the estimated yield is 4,650 millions. In other words, the actual yield from these three taxes in 1929-30 must equal the budget estimates before the retention of

the full 120 millions by the Reich can be assured. The net effect of this provision of the budget law is to reduce by 71 millions, at the maximum, the amount which will be transferred to the States and communes. While the amount of the reduction is small, it has some importance as representing, for the first time in nearly four years, a practical step in the direction of checking the steady increase in transfers to the States and communes; and it shows an effort to give some consideration to the requirements of the budget of the Reich.

In order to prepare for the definitive settlement between the Reich and the States and communes, financial statistics of the revenues, expenditures and public debts of the States and communes are still being assembled under the law of August 10, 1925, and subsequent decrees. Moreover, it is understood that the committees established by the Conference of the Prime Ministers of the States, first called by the Chancellor of the Reich in January, 1928, are giving consideration to the possibilities of economy and administrative reform, and to the problem of a more effective division of functions as between the Reich and the States. Up to this time, however, there has been no report of their final conclusions. No decision has yet been taken by the Reichstag on the six bills submitted by the Government to the Reichsrat in 1927, for the uniform assessment and collection of the most important taxes of the States. These bills, as described in the last Report, were adopted by the Reichsrat with one exception, and with some modifications, on November 23, 1928. Since that time they have been in the hands of the tax committee of the Reichstag. The Finance Minister, in his speech before the Reichstag on June 18, 1929, emphasized the paramount necessity of passing these bills as a pre-requisite to solving the problem of the State taxes on real estate, occupations, etc., and stated that a definitive settlement of the financial relations of the Reich with the States and communes "is now to be taken in hand".

(b) *General administration.*

The following table summarizes the administrative expenditures by years, expressed in millions of reichsmarks:

ADMINISTRATIVE EXPENDITURES	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	actual	actual	actual	actual	estimates ¹	estimates ²
Army and Navy:						
Materiel and remuneration	459	588	647	706	725	666
Pensions, excluding war pensions ²	165	177	220	254	264	260
Finance Department	345	395	410	486	510	497
Interior	199	206	274	269	208	208
Communications, public works ..	98	109	146	163	152	128
Commerce, industry, agriculture ..	21	40	38	47	115	121
Civil pensions	69	99	88	98	105	105
Social welfare	50	57	61	69	75	76
Foreign affairs	39	47	60	62	56	55
Miscellaneous	76	166	212	141	111	92
Totals ¹	1,521	1,884	2,156	2,296	2,321	2,208

¹ Differences due to rounding off.

² Provisional figures.

³ Including supplementary budget.

It will be observed that the 1928-29 figures are still those of the budget estimates. This is due to the fact that the details of the provisional figures of administrative expenditures, which cover a great number of items, are not yet available. The provisional figure of the total actual administrative expenditures, however, is available, and amounts to 2,414 millions, an increase of 93 millions over the estimates.

For 1929-30, the estimates show a decrease of 113 millions from the estimates, and of 206 millions from the actual expenditures of the previous year. The decreases in the individual items occur principally in the Army and Navy estimates, relating mainly to non-recurrent expenditures for armaments, munitions and construction of new ships; and also in the Communications and public works, and the Miscellaneous estimates. There is an increase, however, in the item representing expenditure on Commerce, industry and agriculture, owing to the fact that the budget of 1929-30 contains various subsidies for East Prussia to an aggregate amount somewhat exceeding the various items of the emergency programme in aid of agriculture which were included under this heading in the expenditures of 1928-29.

(c) The service of the debt.

The expenditures on the service of the debt fall into the four classifications indicated in the following table, in which the amounts are expressed in millions of reichsmarks:

SERVICE OF THE DEBT	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	actual	actual	actual	actual	provisional	estimates
Repayment of Treasury bonds . . .	74	162	87	—	—	—
Reduction of sundry gold loans . . .	364	90	83	86	74	80
Revalorized debt with interest . . .	—	1	241	409	372	323
Current interest	12	9	10	16	56	104
Totals ¹	450	262	421	512	501	508

¹ Differences due to rounding off.

The reduction of sundry gold loans in recent years represents the reimbursement of the debts to the Reichsbank and the Rentenbank, together with a repayment of 6 millions, in 1929-30, of bonds issued in the United States in 1915 and 1916.

Both the revalorized debt and the various items which go to make up the annual charge relating to it have been fully described in previous Reports. The normal annual charge in respect of the reimbursement of bonds drawn, including interest and sinking fund, is 240 millions. The annual charge for 1929-30, however, is entered in the budget at only 189 millions. The reason for the difference of 51 millions, which represents the amount required in 1929-30 for transfer to the sinking fund, is that the budget law of 1929-30, instead of providing for the usual cash payment to the sinking fund, authorized the Finance Minister to make the payment for this year in bonds of Reich loans which the Reich has purchased in suppor-

ting the market quotations for the bonds, and the cost of which has already been charged to the extraordinary budget. This transaction has not been carried into the official budget figures for 1929-30, but for the sake of completeness the 51 millions have been added to the revalorized debt expenditures and credited to the administrative revenues in the figures given in this Report for the 1929-30 budget.

The expenditure for current interest on the public debt increased by 40 millions in 1928-29, and a further rise of 48 millions is expected in 1929-30, as a result of the large increase in the debt during these years.

(d) Charges arising out of the war.

These charges, which in 1928-29 aggregated about 30 per cent of the total expenditures of the Reich, fall principally into two groups: (1) the external charges, consisting of expenditures in execution of the Experts' Plan, and (2) the internal charges, comprising war pensions, the liquidation of war damages sustained by German nationals, pensions to former officials in ceded territory, etc. The figures for the six-year period are shown in the following table, expressed in millions of reichsmarks:

CHARGES ARISING OUT OF THE WAR	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
Execution of the Experts' Plan:						
Budget contribution	—	145	276	530	935	1,250
Transport tax	—	146	261	302	265	290
Reserve fund, Commissioner of Controlled Revenues	—	—	13	67	20	1
Totals....	—	291	550	899	1,220	1,541
Internal charges:						
War pensions ¹	833	1,153	1,155	1,300	1,482	1,354
Liquidation of war damages....	180	184	169	83	231	104
Other internal charges.....	1,095	176	172	177	205	94
Totals....	2,108	1,513	1,496	1,560	1,918	1,552
Grand totals ²	2,108	1,804	2,046	2,459	3,138	3,092

¹ Provisional.

² Differences due to rounding off.

The execution of the Experts' Plan called for 1,220 million reichsmarks in 1928-29, or 321 millions more than in the previous year. Of this total, 935 millions represented the budget contribution proper and 265 millions the amount of the transport tax contribution entered in the accounts of the year. The remaining 20 millions consisted of a transfer to the reserve fund of the Commissioner of Controlled Revenues. During the year the fund reached the total of 100.5 million reichsmarks agreed upon between the Commissioner and the German Government as an amount to be

maintained in order that fluctuations in the reichsmark equivalent of the gold mark should not bring the fund below the amount of 100 million gold marks, required by the Control Protocol. The 1929-30 budget provides budgetary authority for the final transfer of 521,000 reichsmarks which had already been made and which appears in the table, in round figures, at 1 million. This amount is additional to the 1,540 millions which the budget provides for the execution of the Experts' Plan, representing the budgetary contribution proper, which for the first time reaches its standard amount of 1,250 millions, together with the standard contribution of 290 millions from the yield of the transport tax. These estimates, of course, are based on the provisions of the Experts' Plan as now in force, and they take no account of the reductions which will be made in the reparation Annuities in case the Experts' Plan of 1929 is adopted by the Governments concerned. The possibility of savings under the new Plan represents an important potential reserve for the 1929-30 budget, and the Finance Minister has already indicated in his speech to the Reichstag on June 18, 1929, that it might be utilized partly towards the reconstitution of a working fund and partly towards the extinction of the deficit in the ordinary budget of 1928-29.

The internal war charges have fluctuated considerably, but during the period from 1925-26 to 1928-29 there has been a fairly steady increase as a result of the rise in war pensions, which in 1928-29 accounted for nearly 80 per cent of the total expenditures under this head. The growth of war pensions has been due principally to the periodical adjustment of the pension rates to the cost of living, as provided by law. In addition, it will be recalled, there was a general increase in the rates of pension under the laws enacted in December, 1927, which operated retroactively as from October 1, 1927.

The provision for the liquidation of war damages, after having shown a downward tendency, rose to 231 millions in 1928-29. This was due principally to the war damages liquidation law of March 30, 1928, which authorized 250 millions to be paid in cash to smaller claimants, most of which was actually expended in 1928-29. For 1929-30, expenditures of 104 millions are authorized, of which 85 millions represent interest and amortization of the debt certificates issued to the larger liquidation claimants under the terms of the law. According to an official communiqué, the work of examining the claims is making appreciable progress, and on June 10, 1929, claims actually or nearly settled aggregated 1,020 millions out of an estimated total of 1,351 millions, representing 96 per cent of the property claims and 71 per cent of the security claims. Under the heading of liquidation of war damages there were included 12 millions in 1928-29, and 15 millions in 1929-30, on account of the payments due to Rumania under the agreement ratified February 8, 1929. This agreement called for total payments of 31 millions in 1928-29, but it does not appear from the statements thus far published to what account the balance of 19 millions was charged.

The remaining internal war charges comprise a variety of miscellaneous items which are summarized in the following table, expressed in millions of reichsmarks:

OTHER INTERNAL CHARGES ARISING OUT OF THE WAR	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
Peace treaty obligations not cov- ered by Experts' Plan:						
Occupation costs	130	—	—	12	94	15
Deliveries in kind, adjustment of coal charges, etc.	573	—	14	—	20	12
Cash payments, Belgian bonds	49	—	—	—	—	—
Relief, pensions, etc., to former German officials in ceded or occupied territory	37	42	36	37	42	41
Grants for transforming authorized munition factories, costs of de- struction of fortresses, etc.	19	24	17	12	11	2
Occupied territories, etc.	138	6	35	62	12	10
Miscellaneous	149	104	70	54	26	14
Totals....	1,095	176	172	177	205	94

The slight increase in these miscellaneous charges in 1928-29 was largely due to exceptional arrearages on account of occupation costs not covered under the Experts' Plan and to adjustments in the price of coal delivered on reparation account. The 1929-30 appropriations decrease by 111 millions, owing principally to a reduction in these arrearages.

(e) *Social expenditures.*

The social expenditures of the Reich may be classified in three groups: (a) unemployment charges, (b) social insurance charges, and (c) other social expenditures, and they are summarized in the following table, expressed in millions of reichsmarks:

SOCIAL EXPENDITURES	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
Unemployment charges:						
Relief, etc.	36	163	426	324	301	154
Advances to unemploy- ment insurance institute	—	—	—	—	260	150
Totals....	36	163	426	324	561	304
Social insurance charges:						
Health insurance subsidies	9	21	24	27	28	32
Old age and disability insurance subsidies ...	106	221	243	301	393	416
Expenses of sale of in- surance stamps and pay- ment of pensions....	13	16	17	17	18	18
Totals ¹	129	259	284	345	439	466
Other social expenditures..	94	85	101	97	94	87
Grand totals ...	259	507	811	766	1,094	857

¹ Differences due to rounding off.

The unemployment charges include both the various payments and the reimbursable advances to the unemployment insurance institute, but do not include special investments, grants, etc., made in connection with programmes for combating unemployment, principally during 1926-27 and 1927-28.

Prior to the establishment of the unemployment insurance institute on October 1, 1927, the Reich shared equally with the States the amounts required (a) to make good the deficit in the ordinary relief funds administered by the relief organization then functioning, and (b) the cost of productive relief. In addition, it shared with the communes, in the proportion of three to one, the cost of emergency relief granted to those who were not entitled to ordinary relief. After October 1, 1927, the Reich continued to share with the States and communes the cost of productive and emergency relief, but the cost of ordinary relief was to be borne entirely by the insurance institute. Only if the funds of the institute were insufficient to meet the demands, was the Reich required to intervene with advances, which, however, were to be reimbursed when the funds of the institute permitted.

On December 24, 1928, the law was amended by increasing the scope and the period of so-called seasonal relief. The resulting costs were to be shared between the Reich and the institute in the proportion of four to one, but the additional charge on the Reich was limited to a maximum of 28 millions.

Receipts and payments of the unemployment insurance institute (In millions of reichsmarks)	Receipts			Payments			Deficit	
	Contributions from employers and employed	Miscellaneous	Totals ¹	Ordinary relief	Seasonal relief	Administration, etc.		
1927-28 Year ended September 30, 1928..	798	31	829	726	—	117	843	14
1928-29 October..	77	1	78	45	—	10	55	23 ²
November	74	1	75	67	—	10	77	2
December	66	1	67	104	—	10	114	47
January..	76	1	77	162	1	11	174	97
February.	61	1	61	122	10	11	142	81
March ...	67	—	67	119	12	12	143	76
Deficit six months ended March 31, 1929							280	
Cumulative deficit March 31, 1929							294	

¹ Differences due to rounding off.
² Surplus.

The accounts of the institute at March 31, 1929, show a cumulative excess of payments over current receipts of 294 millions, 14 millions of which resulted from the first year's operations and

280 millions from the operations of the first six months of the current business year, which included a period of severe unemployment.

The amount under advance by the Reich to the institute on March 31, 1929, was 260 millions, made up as follows: 150 millions to cover the net deficit of the institute shown in the table, after deducting the reserve funds of 144 millions available to the institute when it commenced operations; 46 millions used as working funds by the various labor offices; and 64 millions required as a special advance in respect of seasonal relief. The total seasonal relief expenditures under the amended law amounted to 115 millions up to March 31, 1929, of which, in principle, the institute bears only one-fifth, or 23 millions, as shown in the table above. Under the law, therefore, the share of the Reich would have been 92 millions. But as the law specifically limited the liability of the Reich to 28 millions, the balance of 64 millions had to be borne by the institute and, in turn, advanced to it by the Reich. In April and May further advances totalling 79 millions were made, according to the institute's report of June 12th, bringing the total advances from the Reich up to 339 millions.

This unexpected burden on the budget and the cash resources of the Reich, during a period when the position of both was exceptionally difficult, has led the Government to decide upon an examination of the provisions and administration of the unemployment insurance law, and on May 7, 1929, the following official communiqué was issued:

"In its meeting yesterday the Reich Cabinet considered the question of introducing reforms in the field of unemployment insurance. In doing so, it envisaged the removal of abuses which have arisen in practice since the unemployment insurance law entered into effect. It was noted, however, that the removal of these abuses alone is not enough. The financial position of the Reich is so serious that the use of public funds in the amounts which have been necessary up to now is entirely impossible and that amounts in excess of those already included in the budget can be justifiably used only in the event of very extraordinary circumstances. The Reich Cabinet was, therefore, of the opinion that a modification of the unemployment insurance scheme must also have regard to the financial position of the Reich. The Reich Government will prepare in the form of a draft law an urgent programme to remove abuses in the field of unemployment insurance and will also appoint a committee of experts with which directives for the revision of the unemployment insurance law are to be discussed with the greatest possible despatch."

A further communiqué, issued June 14, 1929, stated that the Government had decided to create a committee of experts, composed of 28 members representing the groups interested in the unemployment insurance law, to meet "as soon as possible and to expedite its

labors in such a way that the reform of the unemployment insurance can be put through by September next".

The 1929-30 budget includes an appropriation of 150 millions in respect of advances to the unemployment insurance institute, of which it appears that 79 millions have already been advanced in April and May. While further advances by the Reich are not likely to have to be made during the summer and early autumn months, the volume of unemployment is still large enough as to make it doubtful whether any substantial funds can be accumulated by the institute during these months, and it is correspondingly doubtful whether, with unemployment still high, the appropriation carried in the budget will be sufficient to carry through the coming winter unless either the administration or the provisions of the law are materially modified in the near future.

Social insurance charges consist mostly of subsidies to the institutes for health insurance and for old age and disability insurance, the greater part going to the latter. These expenditures have increased steadily and have almost quadrupled since 1924-25. Under health insurance the Reich pays 50 reichsmarks in respect of each maternity case. Payments to the old age and disability insurance institute include, in 1929-30, about 212 millions as a contribution towards the pensions paid, 40 millions for health promotion, and 164 millions mainly towards restoring the shrinkage, due to the inflation, in the contributions of insured members paid prior to October, 1921. These subsidies seem likely to be appreciably increased in 1929-30, as the Reichstag has recently given its assent to a bill providing, for a limited period, that of the amount by which the annual yield of the tax on salaries and wages exceeds 1,300 millions, up to 75 millions will be paid to the miners' pension insurance institute and the balance, if any, will be paid to the old age and disability insurance institute. The assent of the Reichsrat is required before the bill becomes law. The remaining expenditures under this heading consist of reimbursements to the Reichspost for its administrative expenses in paying pensions and selling the contribution stamps of the old age and disability insurance.

Other social expenditures include a large number of miscellaneous expenditures, for welfare, hygiene, the protection of work people and relief to persons in receipt of small unearned incomes; also the contribution payable by the Reich, as employer, for the social insurance charges of its work people.

(f) *Investments, loans, etc.*

In addition to the administrative and other expenditures, the Reich during the six-year period has made a series of investments and loans and other capital expenditures in respect of a

great variety of objects, largely through the extraordinary budget. The following list comprises the great bulk of these items, expressed in millions of reichsmarks:

INVESTMENTS, LOANS, ETC.	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 provisional	1929-30 estimates
Investments in:						
Canal and automobile trans- port companies and shipping credit banks	19	16	15	11	12	8
Preference shares of German Railway Company	—	220	1	—	—	—
The Cereal Company	—	—	26	1	—	—
Deutsche Bau- und Bodenbank A.-G.	—	—	—	—	10	—
Bonds of Reich loan, 1927 ..	—	—	—	—	105	—
Schichau A.-G.	—	—	—	—	—	11
Loans for:						
Housing and settlements	15	17	15	14	15	15
Mortgages on dwellings, advances to States	—	—	138	49	4	—
Upper Silesian iron industry and other industries	—	35	18	—	—	—
German Railway Company: for agreed programme of works	—	—	80	—	—	—
for construction of new lines	—	—	11	27	11	5
Promotion of agricultural production	—	—	62	—	—	—
Capital expenditures for:						
Construction of waterways ..	35	42	51	63	56	44
Printing Office of the Reich ..	11	—	—	—	—	—
Deutsche Werke, etc.	16	20	2	3	—	6
Aviation and automobile in- dustries	—	38	16	13	17	20
Housing of officials	—	4	7	7	9	8
Agricultural settlement	—	—	27	53	46	46
Vine-growers, emergency relief	—	—	15	—	—	—
Housing and settlements in occupied or frontier areas ..	—	—	—	8	6	15
Schichau A.-G.	—	—	—	—	7	2
Miscellaneous	16	—	1	5	2	2
Reserve for losses under Reich guarantees						
Totals ¹	112	391	483	267	329	193

¹ Differences due to rounding off.

From 1924-25 to 1928-29 the amounts thus expended aggregated 1,582 millions, of which 1,253 millions were effected through the extraordinary budget. The large increase in 1928-29 was due

principally to the investment of 105 millions in bonds of the Reich loan of 1927, and to an increase of 16 millions in the reserve for losses under Reich guaranties, to which reference is made in more detail in the chapter on the public debt. Other smaller increases as, for instance, the investment in the Bau- und Bodenbank A. G., and the capital expenditures in respect of the aviation and automobile industries, and the Schichau A. G., were offset by reductions in other items, particularly in the advances to the States for mortgages on dwellings, in loans to the Railway Company and in the construction of waterways. In 1929-30, the estimated expenditures for investments, loans, etc., decrease by 136 millions. Capital expenditures for the Deutsche Werke have, however, been resumed, to the extent of 6 millions, and the Schichau A. G. is again receiving aid, amounting to 13 millions.

The foregoing statement of investments, loans, etc., does not include all the property and other assets acquired by the Reich during the period from 1924-25 up to the present time. Other assets which should be mentioned are the 500 million gold marks, nominal value, of preference shares of the German Railway Company, received by the Reich under the provisions of the Experts' Plan; the reserve fund of the Commissioner of Controlled Revenues, amounting to 100 million gold marks; and about 340 millions of advances made to the unemployment insurance institute, up to the end of May, 1929, already described in the section on social expenditures.

The realizations from the investments, loans, etc., have thus far been very small, but in the budget of 1929-30 a substantial recovery from the States is expected, to the extent of 120 millions falling due out of the amounts advanced to them for mortgages on dwellings. The Finance Minister has also announced general plans for disposing of Railway preference shares owned by the Reich, to which more detailed reference is made in the section on the extraordinary budget. Moreover, provision has been made in the 1929-30 budget for utilizing 51 millions of the bonds of the Reich loan of 1927, acquired by the Treasury in supporting the market for these bonds, to make the 1929-30 sinking fund payment in respect of the revalorized debt.

4. The Extraordinary Budget.

The deficit in the extraordinary budget, which was already large at the beginning of 1928-29, almost doubled during the year and assumed such proportions that it affected the budgetary position of the Reich as a whole and placed a severe strain upon its cash resources.

The division of the budget of the Reich into an ordinary budget and an extraordinary budget, which existed also before the war, was maintained in the fundamental budget law of December 31, 1922, which provided that "to the extraordinary budget belong income derived from loans, i. e., extraordinary income, and expend-

iture to be defrayed therefrom". In the first years of stabilization the extraordinary budget was balanced without difficulty, but in the budget of 1926-27 the pre-war practice of financing the extraordinary budget by borrowing was resumed as a definite policy, and a large programme of expenditures was undertaken on this basis. Within less than a year, however, this policy had begun to cause difficulties. The Finance Minister of the Reich, in his budget speech of February, 1927, referred to the situation which was arising as follows:

"The development of the extraordinary budget and, thus, of the loan policy of the Reich, deserves special attention. . . . The proposal to take up further loans, which often appears to be a very easy solution for the moment, must after all be limited by the credit of the Reich."

As time went on, the Finance Minister took various occasions to point out to the Reichstag or its budget committee, and with increasing emphasis as experience developed, the dangers to the budgetary position of the Reich which were involved; and as long ago as January 19, 1928, he referred to the loan requirements of the extraordinary budget as "the darkest point in the budget and financial situation of the Reich". Indeed, the events of the past three years have shown more and more clearly that the extraordinary budget is balanced by authorizations to borrow only to the extent that these authorizations can be translated into actual cash; and that the extraordinary budget, as well as the ordinary budget, has to be kept balanced if general budgetary equilibrium is to be maintained. During these three years the extraordinary budget has proved to be largely an instrument for making expenditures beyond the limits of available resources, while in 1928-29 the accumulated difficulties of this budget came to a head and brought the budget of the Reich as a whole heavily into deficit. In the following paragraphs the course of the extraordinary budget since stabilization is traced, with particular reference to the experience of the last three years.

During the first two years of stabilization, in 1924-25 and 1925-26, the extraordinary budget had been kept in balance. Out of extraordinary expenditures aggregating 1,488 millions in these two years, 1,133 millions were actually covered by administrative revenues, by repayment of loans, and by funds transferred from the ordinary budget, while the balance was financed by the proceeds of the Rentenbank and other loans, actually in hand. Subsequently, when the budget for 1926-27 was under consideration, it was decided, in conjunction with the programmes for tax reduction and for combating unemployment, to authorize a large programme of expenditures through the extraordinary budget to be covered by borrowing. Accordingly, in the budgets of 1926-27 and 1927-28, taken together, extraordinary expenditures to a total of 1,306 millions were authorized, without available cover, in the expectation that they would later be covered by borrowing. The effect on the capital market produced by the Reich loan

Extraordinary budget of the Reich (In millions of reichsmarks)	1927-28 actual	1928-29 provisional	1929-30 estimates
Revenues			
Amount transferred from prior years	Def. 290	Def. 465	(not included in estimates)
Administrative revenues:			
Interest and repayment of loans	—	7	121
Miscellaneous	14	12	4
Proceeds of loans actually issued	123	101	—
Proceeds of loans to be issued	—	—	164
Total revenues	Def. 153	Def. 345	289
Expenditures			
General administration:			
Navy	57	—	—
Miscellaneous, including Army	3	—	—
Service of the debt:			
Reduction of sundry gold loans	12	—	6
Charges arising out of the war:			
Execution of Experts' Plan:			
Reserve fund, Commissioner of Con- trolled Revenues	67	20	1
Internal charges	8	—	—
Social expenditures:			
Productive unemployment relief	118	124	—
Advances to unemployment insurance institute	—	260	150
Investments, loans, etc.:			
Purchase of bonds of Reich loan, 1927..	—	105	—
Mortgages on dwellings, advanced to States	49	—	—
Capital expenditures in respect of:			
Agricultural settlements	53	46	50
Construction of waterways	63	56	44
Miscellaneous	63	46	38
Total expenditures	493	657	289
Cumulative excess of expenditures over revenues	646	1,002	—
Balancing Items			
Transfers from ordinary budget:			
From surplus	176	35	—
Other	5	—	—
Transfer from special working fund	—	62	—
Cumulative balance indicated in the accounts	Def. 465	Def. 905	(not included in estimates)

of February, 1927, which was the only loan issued during these two years, showed that extraordinary expenditures of these dimensions could not be financed by borrowing without putting too great a strain on this market. The proceeds of the loan provided 452 millions of cover, but a large amount of expenditures remained uncovered. At the end of 1926-27, according to the accounts, there was an uncovered deficit of 290 millions in the extraordinary budget, and by the end of 1927-28 this had increased to 465 millions. Moreover, there remained expenditures authorized but not yet made to the amount of 259 millions, subsequently reduced to 229 millions, which were carried forward to the year 1928-29 without any cover, other than borrowing authorizations, to meet them.

By the time the budget for 1928-29 was presented, the dangers inherent in the extraordinary budget had become forcibly realized, and an effort was made to remedy the situation. The expenditures authorized but not yet made were subjected to a critical examination and in some cases postponed or even abandoned; new authorizations of expenditure were restricted to what appeared to be the amount of cover available, without new authorizations to borrow; and the budget law provided that, in future, extraordinary budget expenditures should be made only out of extraordinary budget revenues, unless "the discontinuance or interruption of the work would entail serious economic disadvantages". Notwithstanding these measures of precaution, large expenditures in excess of the available cover were made during the year 1928-29, and by the end of the year the uncovered deficit had practically doubled. On the revenue side, one item of 80 million reichsmarks failed to materialize, representing the estimated repayment of a loan made to the German Railway Company at a low rate of interest in 1926-27. This loan, in fact, did not fall due during the year, and the Company did not exercise its option to repay it. On the other hand, expenditures increased by 260 millions which the Reich had to advance to the unemployment insurance institute, and by 105 millions which were expended in purchasing bonds of the Reich internal loan of 1927 in support of the market quotation. No cover had been provided in the budget for either of these items. Moreover, during the year, the Reich carried out the greater part of the 229 millions of expenditure authorizations brought forward from the two preceding years, though no cover had been provided for these expenditures beyond the authorizations to borrow. The only long-term borrowing effected during the year was the issue of Reich Treasury bonds to the social insurance institutes, from which 101 millions were realized. Altogether, the uncovered deficit rose during the year from 465 millions to 905 millions, to which must be added a net amount of 73 millions required as cover for expenditure authorizations carried forward into 1929-30. In other words, at the beginning of 1929-30, the net unrealized cover of the extraordinary budget, represented by authorizations to borrow, aggregated 978 million reichsmarks.

Briefly summarized, the transactions of the three years in which this deficit arose were as follows, expressed in millions of reichsmarks:

Total extraordinary expenditures actually made, or authorized and carried forward into 1929-30.....	1,842
Total cover	864
Consisting of:	
Administrative revenues actually received, or budgeted for and remaining to be received in 1929-30	55
Transfers from ordinary budget surplus or special working fund	256
Proceeds of loans actually issued	553
Balance, representing authorizations to borrow, not yet realized	978

The burden of carrying this deficit, of course, has fallen on the Treasury of the Reich, and the result has been, particularly in the past six months, to subject the cash position to very great pressure. Moreover, the deficit in the extraordinary budget presumably increased in April and May, 1929, owing to additional advances to the unemployment insurance institute, at the very time when credit conditions were under the greatest strain.

In view of the growth in the deficit, and the extreme difficulty of carrying it from month to month, the Finance Minister on May 5, 1929, proposed certain measures of relief, which were prefaced by the following public announcement:

“The Treasury position of the Reich has been for weeks in the foreground of discussion. The competent authorities, and in particular the Finance Minister of the Reich, have repeatedly called attention to the seriousness of the position. The impossibility of issuing the long-term loans authorized, in order to cover the expenditures of the extraordinary budget, has necessarily caused the current receipts of the Reich to remain behind its obligations to make payments and led to an accumulation of the difficulties of financing, especially at the ends of months. In the long run, however, such a state of affairs must lead to endangering the financial position of the Reich, and thus also of the States and communes, in spite of a budget otherwise in balance.”

The measures proposed by the Finance Minister comprised, first, the issue of an internal long-term loan, up to an amount of 500 million reichsmarks, with important tax exemption privileges, and, second, the sale of certificates representing preference shares of the German Railway Company, of which the Reich holds 731 millions nominal amount, the voting power, however, to be retained by the Reich. These measures aimed primarily at the gradual funding of the deficit in the extraordinary budget, and they were enacted into law on May 17, 1929. The first issue of the loan was offered for subscription from May 24 to June 8, 1929, and yielded about 180 millions. No announcement has been made as to the dis-

position of Railway preference shares, but it is expected that the certificates will be taken up by savings banks, and public credit and social insurance institutes, as their available funds permit. In other words, the 978 millions of net unrealized cover in the extraordinary budget have now been reduced by about 180 millions from the proceeds of the loan, and will be further reduced by such future issues of bonds and such sales of Railway preference shares as may be made.

With a view to avoiding future difficulties from the extraordinary budget, steps have also been taken, in the 1929-30 budget law, to reinforce the Finance Minister's control over extraordinary expenditures. These provisions have already been mentioned in the section on the 1929-30 budget. In general, they provide that the extraordinary expenditures authorized, including those transferred from previous years, may only be effected, and obligations to make them may only be assumed, within the limits of the sums made available by the Finance Minister. If the discontinuance or interruption of the work would entail serious economic disadvantages, the Finance Minister may provide funds beyond the amounts actually available. A list of the expenditures so approved, however, with the reasons for approval, must be submitted to the Reichsrat and the budget committee of the Reichstag. The result is that the Finance Minister now has an important degree of control over the expenditures, with power to protect the budget and the cash position against the pressure of demands for extraordinary expenditure.

The extraordinary budget for 1929-30, which was burdened at the outset with the cumulative deficit of 905 millions brought forward from 1928-29, is shown in the table on page 66, in comparison with the accounts for 1927-28 and 1928-29. The total estimated expenditures for 1929-30, including the authorizations brought forward from 1928-29, are slightly smaller than the corresponding figures of the preceding year. The appropriation of 150 millions for advances to the unemployment insurance institute includes 79 millions already advanced during April and May, and leaves only about 70 millions for such advances as may be required during the coming winter. This reduced appropriation, as compared with the amount advanced in 1928-29, apparently reflects the announced intention of the Government to amend the unemployment insurance law in such a way as to reduce, if not eliminate, the necessity for such advances. There is no appropriation for productive unemployment relief, as this item has been transferred to the ordinary budget. On the revenue side, for the first time in several years, an important amount of administrative income is anticipated, owing to the expected repayment of 120 millions due from the States in 1929-30 on account of the advances of 138 millions made to them in 1926-27 for mortgages on dwellings. With respect to the revenue item of 164 millions arising from loans to be issued during the year, it should be noted that this is not a mere authorization to borrow, but that it relates to a special loan already arranged. It equals

in amount that part of the subsidy to the old age and disability insurance institute which the Reich will pay through the ordinary budget to restore the shrinkage in the funds of the institute caused by the inflation, and which the institute is required, under the budget law of 1929-30, to reloan to the Reich, apparently for a period of five years.

5. The Cash Position.

The cash position of the Reich has been under steadily increasing pressure during the past year and particularly during the last six months, owing principally to the cumulative deficit in the extraordinary budget and to the large current deficits in both ordinary and extraordinary budgets which developed during the year. The reserves in the ordinary budget, arising largely from the surplus of previous years, and even the working funds of the Treasury, had been progressively utilized to meet these growing demands and at the end of the year were finally reduced, for the first time since stabilization, almost to the point of exhaustion. As the condition of the capital market throughout the year made the issuing of long-term loans difficult, the Treasury met its constantly growing cash requirements by increasing the floating debt. Treasury bills were maintained at about the limit of 400 millions authorized by law, special 7 and 11 month Treasury bonds were placed with the banks, the loan from the Post Office was largely increased, and at the ends of months short credits were obtained from various sources, including the Reichspost, the Railway Company, the Reichsbank, the Preussenkasse, the Prussian State Bank and a consortium of private bankers.

By the end of April, 1929, the difficulty of financing the mounting cash requirements had become so acute that special measures had to be taken to relieve the Reich from embarrassing pressure at the ends of months, and early in May the Finance Minister announced the plan for issuing an internal loan, with important tax exemptions, and for the gradual sale of preference shares of the Railway Company owned by the Reich. Later, in June, the Finance Minister arranged a one-year credit with a group of German banks and concluded arrangements with the German Railway Company for an additional short-term advance from the Railway funds.

The following table, compiled from the budgetary accounts, shows how the large cash resources which were available to the Treasury in 1924-25 and 1925-26, have gradually been absorbed in covering current budgetary deficits. This table, however, takes no account of various advances made outside the budget, which the Finance Minister states amounted to about 300 millions at the end of March, 1929.

Cash resources other than from the floating debt (In millions of reichsmarks)	End of 1924-25	End of 1925-26	End of 1926-27	End of 1927-28	End of 1928-29
Available budgetary funds:					
Ordinary budget reserves, to cover expenditure authoriza- tions carried forward	262	382	349	520	200
Ordinary budget surplus ...	496	400 ¹	199	162	Def. 154
Extraordinary budget surplus	133	—	Def. 290	Def. 465	Def. 905
Total balance indicated in budgetary accounts ²	892	782	258	217	Def. 859
Special working fund, derived from seigniorage on the coin- age in 1924-25, but not in- cluded in budgetary accounts					
	252	252	252	62	—
Totals	1,144	1,034	510	279	Def. 859

¹ Only 180 millions of this surplus were indicated in the accounts of this year. The balance of 220 millions represents part of the surplus of 1924-25 transferred in 1926-27.

² Difference due to rounding off.

Apparently, the normal amount of cash required as a working fund for the Treasury ranges from 300 millions to 400 millions, of which in ordinary years a considerable part is provided by the budgetary reserve to cover expenditure authorizations carried forward. Throughout the first three years of the period, the cash resources were far in excess of the working fund requirements, and it was not until towards the end of the fourth year, 1927-28, that it became necessary to resort to short-term borrowing in any volume in order to supplement them. At the end of that year, the total cash resources of the Reich apparently were 454 millions, consisting of the 279 millions shown in the foregoing statement and 175 millions derived from the floating debt; but since 100 millions had been advanced to the Preussenkasse, for use in financing agricultural credits, the available cash was only 354 millions, or close to the normal requirement. The financial year 1928-29 opened with a deficit of 465 millions in the extraordinary budget, which was financed for some months, without making great difficulties for the cash position, by drawing on the exceptionally large reserves carried in the ordinary budget for the purpose of covering expenditure authorizations brought forward from the previous year. In the course of the year, however, these budget reserves were reduced by 320 millions as the expenditures they represented were made, the budget surplus of 162 millions from preceding years was absorbed, and the transactions of the ordinary budget resulted in a deficit of 154 millions. Thus, the resources of the ordinary budget were reduced during the year by a total of 636 millions. At the same time, the deficit in the extraordinary budget continued to grow, particularly during the winter months, as the Reich was obliged to make heavy advances to the unemployment insurance institute. By the end of the year

the deficit in the extraordinary budget had practically doubled as compared with the beginning of the year, and had assumed such proportions that it placed a severe strain on the financial position of the Reich. All these developments were reflected in the growing cash requirements, which the Finance Minister estimated at 1,635 millions on March 31, 1929. This figure, it appears, included the budgetary deficit, as it stood on that date, the advances made outside of the budget, and the Treasury's requirements for working funds.

In order to provide the necessary cash resources, the Finance Minister was obliged to have increasing recourse to short-term borrowings during the course of the year. The growth in the floating debt, particularly during the later months of 1928-29, is indicated in the table below, so far as the figures have been given in the monthly statements of the Finance Ministry.

Origin of cash resources as indicated in floating debt statements (In millions of reichsmarks)	Loan from Post Office	Short- term credits	Treasury bills	Treasury bonds	Totals
December 31, 1927.....	60	200	—	—	260
January 31, 1928.....	60	—	—	—	60
February 29, 1928.....	60	—	33	—	93
March 31, 1928.....	60	75	40	—	175
April 30, 1928.....	60	—	58	—	118
May 31, 1928.....	60	—	165	—	225
June 30, 1928.....	60	15	217	—	292
July 31, 1928.....	20	—	225	—	245
August 31, 1928.....	20	—	229	—	249
September 30, 1928.....	23	—	296	—	319
October 31, 1928.....	23	—	341	—	364
November 30, 1928.....	93	7	367	—	467
December 31, 1928.....	53	314	392	—	759
January 31, 1929.....	83	120	400	—	603
February 28, 1929.....	123	135	367	171	796
March 31, 1929.....	133	220	383	200	936

According to these statements, as will be seen from the table, the floating debt of the Reich increased from 175 millions to 936 millions during 1928-29. The Finance Minister has stated, however, in his speech of April 25, 1929, that on March 31, 1929, the Treasury was using 350 millions of additional short credits, beyond those shown in the monthly statements. To this extent, therefore, the table must be regarded as incomplete. Indeed, no complete statement of the cash position of the Reich has been published since May 8, 1926, though since that time the situation has radically changed. It appears, however, that improved statements of the cash position are soon to be expected, in view of the remarks made by the Finance Minister at the meeting of the budget committee of the Reichstag on May 14, 1929.

In April and May, under the strained credit conditions then prevailing, it became increasingly difficult for the Reich to obtain the necessary short credits at the ends of these months. The Finance Minister accordingly announced, on May 5, 1929, that two special measures already mentioned would be undertaken with a view to relieving the cash position and covering part of the deficit in the extraordinary budget, one the gradual sale of preference shares of the German Railway Company owned by the Reich, and the other the issue of long-term bonds of the Reich, up to an aggregate amount of 500 millions. No further announcements have been made as to the disposition of the Railway preference shares, but the first issue of bonds was offered late in May, to the amount of 300 millions, in the form of a 7 per cent internal loan, with important tax exemptions. The total subscriptions, which closed on June 8, 1929, were only about 180 million reichsmarks. But to this extent the loan relieved the difficulties of the cash position of the Reich.

The Finance Minister, in a speech to the Reichstag on June 18, 1929, expressed his views on the general situation in the following terms:

“The whole situation of the Reich is accordingly very much easier. The results of the loan at any rate afford a sensible relief so far as the minor requirements of the next few settlements are concerned. I hope that a number of other measures which I have in contemplation will lead to a further relief of the position on an adequate and lasting scale. If they do, we shall have seen the end of a period of perpetually recurring difficulties and public alarm . . . Reform of the cash position is the first condition of any future financial policy. There must be no recurrence of these difficulties, even if money is again tight at some future date.”

In order further to relieve the cash position of the Reich, the Finance Minister, towards the end of June, concluded arrangements with a syndicate of German banks for an available credit of 210 million reichsmarks, and with the German Railway Company for further short credits, bringing the amount of credits available from this latter source up to 180 millions.

b. The Budget of the Reichspost.

The receipts and payments of the Reichspost, and the turnover of the postal check service, expanded further in the financial year 1928-29, thus continuing the growth of the four preceding years, analyzed in some detail in the last Report. The final accounts of the year 1928-29 are not yet available, but in the first eleven months, as the following table shows, receipts increased 7.8 per cent and expenditures 7 per cent over those for the corresponding period of the previous year. The considerable increase in the receipts in 1927-28 was due mainly to the rise in tariffs

effective as from August 1, 1927, while the large payments were mainly due to the increase in salaries and pensions of officials effective October 1, 1927.

Receipts and payments of the Reichspost (In millions of reichsmarks)	Cash receipts					Cash payments		
	Post	Telephones	Tele-graphs	Mis-cella-neous	Totals ¹	Per-cent-age in-crease	Totals	Per-cent-age in-crease
1926-27, first eleven months	829	547	83	103	1,562	—	1,536	—
1927-28, first eleven months	1,031	605	92	122	1,851	18.5	1,812	18.0
1928-29, first eleven months	1,115	640	93	148	1,996	7.8	1,937	7.0

¹ Differences due to rounding off.

The growing importance of the Reichspost as a source of revenue to the budget of the Reich is indicated by the increasing transfers to the Reich from the surplus of the Reichspost. In 1928-29, the Managing Board of the Reichspost appropriated 100 millions for transfer to the Reich, as compared with 70 millions in 1927-28, 70 millions in 1926-27 and 12 millions in 1925-26. In 1929-30 it is contemplated that still larger transfers will be made. The Managing Board has already agreed that the amount to be transferred in 1929-30 will be 172 millions, of which 35 millions are regarded as an emergency transfer in aid of the Reich, forming part of the programme proposed by the representatives of the Government parties in the Reichstag for the modification of the 1929-30 draft budget of the Reich.

The Reichspost has not yet issued any portion of the loans, amounting to 224 millions, which were authorized in preceding years, and no new authorizations to borrow are contained in the 1929-30 budget. According to the statements made at the meeting of the Managing Board on March 7, 1929, two-thirds of the capital expenditures which were to be covered by borrowing have been provisionally met out of loans from the postal check funds. The amount borrowed from the postal check funds was reported at 31 millions on March 31, 1927, and at 67 millions on March 31, 1928, the latest date as of which information is available; but it is to be inferred from the statements above mentioned that there has since been a substantial increase in these provisional borrowings.

e. The Budgets of the States and Communes.

The budgets of the States and communes are an important element in German public finance. Not only do these authorities together dispose of about 57 per cent of the tax revenues of Germany while the Reich disposes of only 43 per cent, but their

financial relations are so interwoven with those of the Reich that any attempt to arrive at an understanding of the public finances of Germany must take into consideration not only the budget of the Reich but those of the States and communes as well. Formerly, the States and communes levied most of the taxes, except the majority of those on consumption and the customs duties, and were obliged to contribute from their funds to the financial maintenance of the Reich. The Weimar Constitution, however, greatly increased the scope of the taxing power of the Reich, and under the law of March 30, 1920, the financial relations of the Reich with the States and communes were radically changed. The Reich took over important taxes which the States or communes had formerly imposed and, in return, was obliged to contribute from its revenues to their financial maintenance. Up to the present time, these new financial relations have not been definitively settled but have been governed by various provisional arrangements, already discussed in this and previous Reports, as well as in the Experts' Report of 1924.

In order to establish a basis for the definitive financial settlement, the States and communes are required, under the Reich law of August 10, 1925, and subsequent decrees, to furnish to the Reich current information regarding their budgets and public debts. The information which has thus far been tabulated and published is summarized in subsequent sections of this chapter. In general, it appears that the tax revenues of the States and communes, which are now reported up to the middle of the financial year 1928-29, are steadily increasing, but the statistics of administrative and other revenues, and of expenditures, have not kept pace with the reports of tax revenues. Altogether, therefore, the statistics published up to this time are not sufficiently complete to furnish an accurate picture of the current financial conditions and requirements of the States and communes.

In the last Report, the 1928-29 consolidated budgets of the five largest States were presented and briefly analyzed. The figures showed that the rise in the revenues of these States continued to be exceeded by the rise in their expenditures and that their current deficits were consequently growing. The budgets of these States, as voted by their respective parliaments, provided for current deficits aggregating 238 millions, as compared with current deficits of 200 millions voted in the 1927-28 budgets. In addition to these large current budgetary deficits, exceptional expenditures were made in some of the States, which were not included in the budget and were covered not by revenues but by borrowing. In Prussia, for example, the 1927-28 exceptional expenditures, according to the final accounts, were 222 millions. While the final accounts of the States for 1928-29 are not yet ready, a number of official indications are available regarding the financial results of the year. According to the monthly statements of the Prussian Finance Ministry, the budgetary deficit of Prussia amounted to 31 millions on March 31, 1929. In Bavaria, the Finance Minister stated on May 4, 1929, that the ordinary budget would close with a deficit of 30 millions. In

Saxony it has been officially intimated that the anticipated current budgetary deficit of 74 millions would be somewhat reduced. The Finance Minister of Thuringia on June 4, 1929, reported a deficit of 11 millions.

For 1929-30, the budget voted by Prussia shows a current deficit of 18 millions, exclusive of exceptional expenditures. In Bavaria the draft budget showed a current deficit of 44 millions. This budget was voted June 27, 1929, but information is not yet available as to whether the draft figures were modified. In the other three States, draft budgets have been prepared but do not appear generally to anticipate current deficits: Saxony 22 millions, adopting the budget of the Reich, upon which the States so largely depend for transfers of tax revenues. The draft budgets appear generally to anticipate current deficits: Saxony 22 millions, Wurtemberg 10 millions, and Baden 54 millions, which, however, covers the two years 1928-29 and 1929-30. As regards the budgets of the smaller States, no comprehensive information has yet been officially compiled. The survey accompanying the budget of the Reich for 1929-30 states, however, that the Reich has made special advances to Hesse.

No examination has been made of the budgets of individual communes, and the consolidated figures thus far published do not give much information as to the present position. The official statistics, which report the tax revenues of the communes down to the middle of the year 1928-29, indicate a steady growth in these revenues; but in the absence of recent figures of other revenues or of expenditures, no official indications are available as to their current budgetary position. The German Municipal Association estimates, however, that in the year ended December 31, 1928, the floating debts of communes with over 25,000 population increased from about 750 millions to 950 millions; and this growth in floating debts may be taken to reflect in some degree the development of their budgetary position.

1. The Budget of the State of Prussia.

The State of Prussia, embracing about two-thirds of the area, population and industries of the Reich, is by far the largest of the German States. Its budget, by reason of the preponderating amount of its revenues and expenditures, is representative of the budgetary position of the States as a whole, though it cannot be considered as typical of those of the other States individually, because of the wide differences which exist among the individual States in administrative structure, economic activities and the functions which are assigned to their communes. The final accounts of 1928-29 are not yet available for comparison, but in general it appears that the development of the Prussian budget since stabilization has been similar to the development of the budget of the Reich. Revenues have risen steadily over the period, but the expenditures have risen still more sharply, and the surplus accumulated in 1924-25 has now been completely exhausted

in meeting current deficits caused by expenditures in excess of revenues. The exceptional expenditures of Prussia also, like the extraordinary expenditures of the Reich, have been heavy but they have not so strikingly exceeded the available cover as in the case of the Reich.

(a) Comparative budget statements.

The budget of Prussia is presented as usual in some detail in the table on page 78, showing its development for the six years 1924-25 to 1929-30. The figures of the first four years are those of the final accounts. The figures of 1928-29 and 1929-30 are taken from the budget as voted, but are certain to be considerably modified in the final accounts. In Prussia the figures of the budget are not strictly comparable with those of the final accounts for two reasons. First, exceptional capital expenditures, which are not included in the budget but, with the loans necessary to provide cover, are authorized under special laws, appear only in the final accounts. Second, the final accounts include a considerable volume of other expenditures which do not appear in the budget, consisting of special expenditures covered mainly by subsidies and loans from the Reich.

For 1927-28 the final accounts recently published show an increase in both revenues and expenditures over those of the preceding year. Revenues increased 180 millions and expenditures 79 millions, in both cases considerably less, however, than the increase in 1926-27. Decreased expenditures for unemployment relief were more than offset by increased salaries and pensions of officials and increases in exceptional capital expenditures. The latter totalled 222 millions, as compared with 162 millions in 1926-27, 86 millions in 1925-26, and 33 millions in 1924-25. Further analysis of the exceptional expenditures of Prussia is given in the following section. The 1927-28 revenues, excluding 117 millions realized from loans issued, were 98 millions less than expenditures but the resulting current deficit was more than covered by a transfer from the surplus of previous years.

The 1928-29 accounts are not expected to become available for several months. On May 6, 1929, however, the Prussian Finance Ministry published a statement indicating that, on March 31, 1929, expenditures exceeded revenues by 31 millions, the deficit in the ordinary budget being 23 millions and the uncovered exceptional expenditures being 8 millions. These preliminary estimates, however, are subject to modification in the final accounts and are therefore not comparable with the figures of the years 1924-25 to 1927-28 in the table on page 78. The proceeds of loans issued during 1928-29 were stated to have been 177 millions.

The 1929-30 budget was not enacted until May 31, 1929. In general, the various items of revenue and expenditure show but little change from those of the budget of the preceding year. The excess of expenditures over revenues is 18 millions, which is covered by a

Consolidated budget statement of Prussia (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 estimates	1929-30 estimates
<i>Revenues</i>						
From Reich:						
Tax transfers:						
For State purposes	795	707	726	815	866	869
For provinces and communes	884	830	816	932	989	1,020
Grants for police, unemployment, etc.....	226	326	422	274	161	176
Advances	—	—	90	101	—	—
From communes, grants	13	27	36	48	40	48
Tax revenues:						
For State purposes	560	719	757	756	746	759
For provinces and communes	314	361	500	569	607	607
Administrative revenues, etc:						
From State properties.....	119	57	32	80	84	92
Reimbursement of loans.....	—	10	65	56	24	34
Miscellaneous	272	341	350	344	326	345
Total revenues ¹ ...	3,183	3,378	3,794	3,974	3,843	3,951
<i>Expenditures</i>						
Transfers to provinces and communes:						
Tax transfers	1,197	1,191	1,315	1,501	1,596	1,628
Subsidies	19	52	33	28	33	26
General administrative expenses:						
Education	522	583	583	646	702	730
Police	242	295	299	332	344	360
Justice	227	279	307	345	331	355
Pensions	143	184	184	209	221	193
Social expenditure	84	278	431	130	36	53
Commerce, industry, agriculture	84	128	125	137	136	144
Public works, etc	37	49	56	69	51	53
Financial administration	92	107	104	115	121	123
Miscellaneous	43	87	117	117	122	106
Investments, loans, etc.	75	248	277	223	173	176
Exceptional capital expenditures	33	86	162	222	— ³	— ³
Reduction of public debt	11	2	1	—	17	22
Total expenditures ¹ ...	2,809	3,569	3,994	4,073	3,883	3,969
Excess of revenues over expenditures	374	—	—	—	—	—
Excess of expenditures over revenues ¹	—	191	200	98	40	18
<i>Balancing Items</i>						
Transfer from surplus of previous years	—	157	36 ²	142	40	18
Transfer of deficit from previous year	Def. 6	—	Def. 34	Def. 25	—	—
Proceeds of loans	8	—	173	117	—	—
Cumulative balance	376	Def. 34	Def. 25	136	—	—

¹ Differences due to rounding off.

² 17 millions of this amount are from surplus of 1923-24.

³ Not included in budget estimates.

transfer from the surplus of previous years. The entire surplus of 393 millions carried forward, 17 millions from 1923-24 and 376 millions from 1924-25, appears now to have been absorbed in meeting the deficits of succeeding years, as follows:

1925-26	157	millions
1926-27	36	"
1927-28	142	"
1928-29	40	"
1929-30	18	"
Total....		393 millions.

(b) Exceptional capital expenditures.

The exceptional capital expenditures in Prussia, according to Article 65 of the Constitution, may be effected only for productive purposes and are in principle covered by the proceeds of loans. In this respect they are similar to the extraordinary expenditures of the Reich, but they differ from the latter in that they are not included in the budgetary estimates. Each such expenditure is authorized by a special law which also provides cover by authorizing the issue of loans. The exceptional expenditures actually effected and the resources from which they are covered form a separate section of the final accounts. While in principle they are covered by borrowing, any surplus realized in the ordinary budget is required by law to be employed to reduce existing debt and can in practice be utilized to meet exceptional expenditures, thereby reducing loan requirements. In practice, also, they are occasionally met by transfers from the ordinary budget.

The actual figures of the exceptional capital expenditures made from the time when the currency became relatively stable in the autumn of 1923, to the end of the financial year 1927-28, and of the cover of these expenditures, are shown in the table on page 80. Excluding those for account of the Reich, the expenditures actually effected have amounted to 414 millions. Cover amounting to 350 millions for these expenditures was provided, 301 millions from proceeds of loans and 49 millions by transfers from the ordinary budget, leaving a deficit of 64 millions to be covered in succeeding years. The difference between this figure and the cumulative deficit of 83 millions shown in the statement represents 19 millions due from the Reich for productive unemployment relief payments made on its behalf by Prussia. In addition to these expenditures, the monthly statements of the Finance Ministry of Prussia show exceptional expenditures of 45 millions made in anticipation of legislative authorization, the effect of which is to increase the total deficit to be borne by Prussia to 109 millions at the end of 1927-28.

For 1928-29, the monthly statements of the Finance Ministry up to March 31, 1929, indicate actual exceptional expenditures in 1928-29 to a total of 185 millions, of which 177 millions were covered by loans, leaving a deficit of 8 millions. On this basis, the total deficit arising out of exceptional expenditures to March 31, 1929, was 117 millions, covered provisionally by advances from the cash resources.

Exceptional capital expenditures of Prussia (In millions of reichsmarks)	1923-24 ² actual	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual
<i>Revenues</i>					
Transfer from ordinary budget.....	—	41	—	1	6
Proceeds of loans	2	8	—	173	117
Advances from the Reich	—	—	—	—	76
Totals¹	2	50	—	174	199
<i>Expenditures</i>					
Domains	1	3	3	5	9
Agriculture	1	1	2	27	41
Public works and communications	—	3	34	23	26
Mining and electricity	—	1	47	12	8
Preussenkasse	4	26	—	10	1
Industrial credits	—	—	—	19	2
Housing	—	—	—	—	25
Productive unemployment relief:					
to be met by Prussia	—	—	—	25	54
to be met by the Reich	—	—	—	40	55
Totals¹	6	33	86	162	222
Excess of revenues over expenditures	—	17	—	12	—
Excess of expenditures over revenues ¹	4	—	86	—	22
<i>Balancing Items</i>					
Transfer of surplus from previous years	—	—	12	—	—
Transfer of deficit from previous years	—	Def. 4	—	Def. 73	Def. 61
Cumulative balance indicated in accounts ¹	Def. 4	12	Def. 73	Def. 61	Def. 83

¹ Differences due to rounding off.

² From the autumn of 1923 to the end of the financial year.

2. *Financial Statistics of the States and Communes.*

The periodical publication of the statistics furnished under the law of August 10, 1925, and the decrees of July 25, 1927, and June 23, 1928, has continued since the last Report. The statistics thus far published cover:

(a) the tax revenues of the States for the period up to March 31, 1929, and those of the communes up to September 30, 1928;

(b) the grant requirements of the Reich, the States and the communes for 1913-14, 1925-26 and 1926-27;

(c) the public debts of the States and communes as of March 31, 1928, and their pre-stabilization debts up to December 31, 1928.

The statistics relating to the public debts will be found in the chapter on the German public debt, while those relating to tax revenues and grant requirements are summarized in the succeeding sections.

The tax revenues of the States and communes show substantial increases from year to year, and since the figures are now available for the communes up to September 30, 1928, and for the States up to March 31, 1929, they may be regarded as nearly current. On the other hand, the only statistics of the administrative revenues and profits of public undertakings, which in the case of the States and communes are of considerable importance, are those for the year 1925-26. The latest figures of the expenditures of the States and communes are those which are indicated in the grant requirements for the year 1926-27.

The statistics of tax revenues show clearly the divergence between the amounts collected by the various taxing authorities and the amounts ultimately remaining available to them for disposition. The Reich, for example, now collects about 70 per cent of the total tax revenues of Germany but only retains about 43 per cent for its own use, after allowing for the transfers to the States and communes. The percentage of the tax revenues retained by the Reich in recent years has remained practically stationary in spite of the increasing burdens it has been assuming for reparation payments, for various national adjustments following the war, and for the assumption of all financial responsibility in connection with ordinary unemployment relief. The first move to increase the share of the Reich in the tax revenues it collects has been made in the budget for 1929-30, to which reference has been made earlier in this chapter.

(a) The tax revenues of the States and communes.

The total tax revenues of the States and communes for 1913-14, 1925-26, 1926-27, 1927-28, and the first half of 1928-29 are now completely covered by the published statistics, except that the 1928-29 revenues of the communes with less than 5,000 population are given on the basis of estimates prepared by the Statistical Office of the Reich. It should be borne in mind, however, that certain modifications in the method of compilation render the figures of 1913-14 and 1925-26 not strictly comparable with those of the later years. The difference in the figures arrived at by the two methods, however, is not great; in 1926-27, for example, it appears to be only 1.3 per cent.

The following table shows the total tax revenues collected by all the German public authorities in the years for which the figures are available.

Tax collections of Reich, States and communes	1913-14 (present frontiers)	1925-26	1926-27	1927-28	First half 1928-29
Amounts, in millions of reichsmarks, collected by:					
Reich ¹	1,582	6,825	7,144	8,449	4,479
States and communes ²	2,469	3,249	3,458	3,873	1,925
Totals	4,051	10,074	10,602	12,322	6,404
Percentage of total tax revenues collected by:					
Reich ¹	39.1	67.7	67.4	68.6	69.8
States and communes ²	60.9	32.3	32.6	31.4	30.2

¹ Excluding Reich tax on real estate transactions.

² Including Reich tax on real estate transactions.

This summary of the total tax revenues of Germany shows not only the higher level of present tax collections compared with the

Tax revenues available to Reich, States and communes	1913-14 (present frontiers)	1925-26	1926-27	1927-28	First half 1928-29
Amounts, in millions of reichsmarks, available to:					
Reich	1,629	4,260	4,592	5,461	2,760
States			2,469	2,752	1,444
Communes:					
over 5 000 popu- lation	2,422	5,814	2,698	3,187	1,730
under 5 000 popu- lation			563	582	310
Hanseatic cities			281	339	160
Total States, com- munes and Han- seatic cities ¹	2,422	5,814	6,010	6,861	3,644
Grand totals	4,051	10,074	10,602	12,322	6,404
Percentage of total tax revenues available to:					
Reich	40.2	42.3	43.3	44.3	43.1
States			23.3	22.3	22.5
Communes	59.8	57.7	30.8	30.6	31.9
Hanseatic cities			2.6	2.8	2.5

¹ Differences due to rounding off.

pre-war level, but also the steady growth in tax collections during recent years. In 1927-28 and 1928-29 the proportion of the total tax revenues collected by the Reich increased and at present amounts to practically 70 per cent of the total. On the other hand, the availability to the Reich, the States and the communes of the taxes which they respectively collect, is greatly modified by the existing system of tax transfers from the Reich to the States and from the States to the communes. The foregoing table gives the amounts of tax revenues actually available for the use of the Reich, States and communes during the years stated, and shows that although the Reich collects nearly 70 per cent of the total tax revenues of Germany, it retains only about 43 per cent of the total, while the States absorb $22\frac{1}{2}$ per cent, the communes 32 per cent and the Hanseatic cities $2\frac{1}{2}$ per cent of the total.

The statistics of the tax revenues of the States and communes show not only the aggregate amounts collected by them and available to them, as indicated in the foregoing tables, but also the amounts of the various individual tax revenues which are available to them, after taking into account the transfers from the Reich, and the relation which each of their individual sources of revenue bears to their total tax revenues. The following table gives for the years 1926-27 and 1927-28 the amounts of the four principal tax revenues available to the States and communes.

Principal tax revenues available to the States and communes (In millions of reichsmarks)	Income and corporation income		Real estate and occupations		Rents		Turnover		Total taxes	
	1926-1927	1927-1928	1926-1927	1927-1928	1926-1927	1927-1928	1926-1927	1927-1928	1926-1927	1927-1928
States	971	1,181	417	446	709	760	228	161	2,469	2,752
Communes ¹	585	728	879	1,074	652	738	158	145	2,698	3,187
Hanseatic cities ¹	104	121	52	69	90	114	13	8	279	337
Totals ²	1,660	2,029	1,349	1,589	1,450	1,612	399	314	5,445	6,277

¹ Excluding communes with a population of up to 5,000 inhabitants.
² Differences due to rounding off.

The relation of each of the four principal tax revenues of the States and communes to the total tax revenues available to them is shown in the table below. The percentages reflect the results of the post-war action of the Reich in taking over the income and corporation income taxes, which formerly provided the States and communes with over one-half of their tax revenues. At the same time, they indicate the larger post-war participation of the States in the taxes on real estate and occupations, and the importance to both States and communes of the new taxes on rents and turnover.

In addition to providing current information regarding the aggregate tax collections and the available tax revenues of the States and communes, the statistics also show the tax revenues

available to each of the individual States, and the amounts transferred to the communes as compared with the amounts retained by

Relation of principal tax revenues to total tax revenues (In percentages)	Income and corporation income	Real estate and occupations	Rents	Turnover	Other tax revenues
States					
1913-14 ¹	64.3	5.2	—	—	30.5
1925-26.....	42.2	17.2	27.3	7.4	5.9
1926-27.....	39.3	16.9	28.7	9.2	5.9
1927-28.....	42.9	16.2	27.6	5.8	7.5
Communes					
1913-14 ¹	51.8	35.7	—	—	12.5
1925-26.....	29.0	30.9	17.3	6.7	16.1
1926-27.....	21.7	32.6	24.2	5.9	15.6
1927-28.....	22.8	33.7	23.1	4.5	15.9
Hanseatic cities					
1913-14.....	59.8	25.8	—	—	14.4
1925-26.....	43.7	21.1	21.9	4.5	8.8
1926-27.....	37.2	18.8	32.1	4.8	7.1
1927-28.....	35.8	20.5	33.9	2.5	7.3

¹ Present frontiers.

the States. These figures for 1928-29 have now been published and are summarized in the table below. The relation of tax revenues

Tax revenues of the States and Hanseatic cities, 1928-29 (In millions of reichsmarks)	Tax revenues available			Disposition of tax revenues	
	Tax collections ²	Tax transfers from Reich ³	Totals ¹	Transferred to communes	Retained by States ¹
States:					
Prussia	1,308	2,007	3,314	1,633	1,681
Bavaria	220	367	587	155	431
Saxony	102	340	442	179	263
Wurtemberg	54	143	197	50	147
Baden	72	119	190	43	148
Ten other States	137	244	382	117	265
Totals¹	1,893	3,219	5,113	2,177	2,935
Hanseatic cities:					
Hamburg	176	124	300	7	293
Bremen	25	42	67	3	64
Lubeck	11	8	19	—	19
Totals¹	213	173	386	9	377
Grand totals¹	2,106	3,393	5,499	2,187	3,312

¹ Differences due to rounding off.

² Including Reich tax on real estate transactions.

³ Excluding Reich tax on real estate transactions.

collected to total tax revenues available varies considerably in the different States, in view of the many differences in their administrative structure, economic activities and functions. In the case of Prussia the State taxes collected represented 39 per cent of the total tax revenues available, in Saxony 23 per cent, and in Hamburg 59 per cent; the average for all the States including the Hanseatic cities is 38 per cent. Similarly, the percentage of the total tax revenues transferred to the communes varied widely. Prussia transferred 49 per cent, Bavaria 26 per cent, and Hamburg 2 per cent; the average for all the States and Hanseatic cities is 40 per cent.

(b) Grant requirements.

Since the last Report, the Reich Statistical Office has published the 1926-27 grant requirements of the Reich, the States, the communes and the Hanseatic cities, that is, the net sums they require beyond their own administrative revenues to meet their expenditures. The 1926-27 figures, however, are calculated on a somewhat different basis from those for 1913-14 and 1925-26, previously published, which were summarized in the Report of December 10, 1927. The 1925-26 figures have been recalculated by the Statistical Office so as to be comparable with those of 1926-27, but the 1913-14 figures remain unchanged and are therefore not used in this Report. The consolidated table, which is given on page 86, shows that for the whole of Germany the grant requirements in 1926-27 rose by 1,829 millions, or 15.6 per cent, over those of 1925-26. The principal increases occurred in the following items.

Increase of 1926-27 grant requirements over those of 1925-1926 (In millions of reichsmarks)	Reich	States	Hanseatic Cities	Communes	Totals ¹
Unemployment relief...	281	93	1	117	492
War charges	469	—	—	—	469
Debt service	241	23	11	—	275
General relief	49	32	11	166	257
Housing and settlements	31	10	Dec. 1	66	106

¹ Differences due to rounding off.

Unemployment relief increased mainly because of large expenditures for ordinary and productive relief undertaken during the economic depression prevailing in the early part of 1926-27. The war charges reflect a decrease of 62 millions in internal charges and an increase of 531 millions in reparation payments, of which 301 millions were furnished by the German Railway Company and the Bank for Industrial Debentures. The debt increase came principally from payments in connection with the revalorized debt. The

Grant requirements of all German public authorities (In millions of reichsmarks)	1925—1926					1926—1927				
	Reich	States	Com- munes	Hanse- atic Cities	Totals ¹	Reich	States	Com- munes	Hanse- atic Cities	Totals ¹
	70	161	357	9	598	81	167	342	9	598
Chief administrative authority, etc...										
70	161	357	9	598		81	167	342	9	598
Security:										
Defence	625	—	—	—	625	672	—	—	—	672
Police	194	267	176	28	665	214	246	184	24	668
Justice	5	235	—	11	250	4	260	—	15	279
Totals ¹	824	502	176	38	1,539	890	506	184	39	1,619
Welfare:										
Juvenile welfare and hygiene	16	68	257	29	369	15	75	285	33	407
Unemployment relief, etc.....	156	157	113	10	435	437	249	230	11	927
Housing and settlements	20	242	451	46	758	51	252	517	45	864
General relief	282	68	717	39	1,106	330	99	884	50	1,363
Totals ¹	473	533	1,537	125	2,668	833	675	1,915	138	3,561
Education, etc.:										
Schools	5	855	726	58	1,643	5	877	749	63	1,695
Science and art	22	174	78	14	288	20	190	85	14	309
Religion	1	136	10	—	147	2	128	12	—	142
Totals ¹	27	1,164	815	72	2,078	28	1,195	845	77	2,145
Industry, highways, etc.:										
Agriculture, industry, trade, etc...	33	178	42	3	257	131	127	43	2	303
Highways, etc.	158	95	546	36	836	135	109	555	36	834
Totals ¹	191	273	588	39	1,092	266	235	598	38	1,137
Finances:										
Finances and taxation ...	410	55	165	7	637	443	54	127	9	633
Debt service.	111	26	—	7	144	352	49	—	18	419
Totals ¹	521	81	165	13	780	795	103	127	27	1,051
War charges:										
Internal:										
War pensions, etc.	1,424	—	—	—	1,424	1,485	—	—	—	1,485
Other	544	—	—	—	544	420	—	—	—	420
External:										
Reparations	740	—	—	—	740	1,271	—	—	—	1,271
Totals ¹	2,707	—	—	—	2,707	3,176	—	—	—	3,176
Miscellaneous ..	1	20	224	18	262	—	3	21	230	18
Grand totals ¹	4,813	2,735	3,863	314	11,725	6,065	2,900	4,242	347	13,554

¹ Differences due to rounding off.

relatively large increase in general relief is due mainly to the communal practice of granting special relief to persons no longer entitled to regular unemployment relief.

The division of the grant requirements in 1925-26 and 1926-27 between the various public authorities and their respective administrations or functions is shown in the table on page 86. Generally speaking, the grant requirements are met primarily from tax revenues. In the case of the Reich, however, that portion of the reparation payments which represents the service of the German Railway bonds and the German industrial debentures is met by contributions from the German Railway Company and from German

Grant require- ments and sources from which they are met (in millions of reichsmarks)	1925 - 26					1926-27				
	Reich	States	Com- munes	Han- seatic Cities	Total	Reich	States	Com- munes	Han- seatic Cities	Total
Grant requirements.	4,813	2,735	3,863	314	11,725	6,065	2,900	4,242	347	13,554
Met by:										
Tax revenues ¹ . . .	4,272	2,395	3,210	247	10,124	4,553	2,496	3,577	281	10,907
German Railway Company and Bank for Indus- trial Debentures	459	—	—	—	459	760	—	—	—	760
Net revenue from public undertak- ings, proceeds of loans, and sur- plus of previous years	82	340	653	67	1,142	752	404	665	66	1,887
Totals	4,813	2,735	3,863	314	11,725	6,065	2,900	4,242	347	13,554

¹ Amounts available in respect of the year.

industry, of which the latter is collected through the Bank for Industrial Debentures. The foregoing table shows the amounts of the known sources from which the grant requirements are met, together with a balancing item, representing the net revenue from public undertakings, loans made or authorized, and appropriations from the surplus of previous years. The statistics themselves do not show the composition of this balancing item, but other official statistics of the revenues and expenditures of 1925-26, compiled on a slightly different basis, indicate that in that year about 57 per cent of the balancing item came from loans, and 43 per cent from revenues of enterprises, transfer of surplus, etc.

V. The German Public Debt.

The financial year 1928-29, which ended March 31, 1929, was marked by considerable increases in the public debts of the Reich, and also of the States and communes. Generally speaking, these increases reflect the short and long-term borrowings necessitated by the budgetary deficits and extraordinary expenditures which have been reviewed in the preceding chapter on the German budget. In the case of the Reich, moreover, the public debt has been increased by the new indebtedness created under the war damages liquidation law of March 30, 1928, which was summarized in the last Report, and by the financial agreement of February 8, 1929, between Germany and Rumania.

The public debt of the Reich, according to the official published figures, amounted on March 31, 1929, to 8,950 million reichsmarks, without, however, taking account of its reparation obligations or its liabilities on the various guaranties which it has undertaken. A statement of these guaranties, as of October 1, 1928, has in fact been published for the first time, in the financial survey which the Finance Minister transmitted to the Reichstag with the 1929-30 draft budget. In the case of the States and communes, the first statements of their public debts, assembled under the Reich decree of June 23, 1928, have recently been published. These statements cover the direct indebtedness of all the States and communes on March 31, 1928, except the domestic post-stabilization debt of the communes, and also the guaranties of the States. Official figures for the public debts of the States and communes as of March 31, 1929, are not yet available, but the Economic Service of the Transfer Committee has made an estimate bringing the figures for the direct indebtedness of the States and communes down to this date, including the whole post-stabilization debt of the communes. From this estimate it appears that the total German public debt on March 31, 1929, aggregated about 15,600 million reichsmarks, including short-term indebtedness but excluding reparation obligations and the guaranties assumed by the Reich and the States and communes. Of this total, approximately 9,000 millions represent indebtedness of the Reich, about 1,900 millions indebtedness of the States and Hanseatic cities, and about 4,700 millions the debts of the communes. The total figures include about 6,200 millions of revalorized paper mark debts, of which about 5,040 millions are obligations of the Reich, while most of the remainder represents obligations of the communes. For the financial year 1928-29 the estimated increase in the total public debt of Germany amounted to about 2,300 million reichsmarks, of which about one-half occurred in the debt of the Reich.

For the first quarter of the financial year 1929-30, comprehensive information is not yet available. The Reich, however, has arranged several loans and credits which have already been mentioned in the chapter on the German budget and which are further described in the following sections. Apparently, these loans and credits represent, in the main, a conversion of existing short-term credits into intermediate or long-term indebtedness. During

Public debt of the Reich (In millions of reichsmarks)	March 31, 1924	March 31, 1925	March 31, 1926	March 31, 1927	March 31, 1928	March 31, 1929
BONDS						
Loan liquidation debt: ¹						
with drawing rights ..	—	—	1,754 ²	4,743 ³	4,548 ³	4,340 ³
without drawing rights	—	—		700	700	700
Reich loan of 1927	—	—	—	364	500	500
War damage liquidation debt certificates ⁴	—	—	—	—	—	562
Totals	—	—	1,754	5,807	5,748	6,102
TREASURY CERTIFICATES						
Dollar certificates	195	—	—	—	—	—
6 per cent, repayable 1935	210	22	19	19	19	18
6 per cent, repayable 1932	42	1	1	1	1	1
“K” bonds	3	1	1	1	1	1
“E” bonds	—	251	87	—	—	—
Reichsmark bills	149	30	—	—	40	383
7 per cent bonds 1928, issued to social insurance institutes	—	—	—	—	—	103
Bonds issued in connection with the financial agree- ment with Rumania ..	—	—	—	—	—	45
Other bonds	—	—	—	—	—	200
Totals ⁵	599	305	108	21	61	750
BANK DEBTS						
Reutengbank	1,097	1,185	1,054	922	783	656
Reichsbank	235	227	218	208	199	190
Totals	1,332	1,412	1,272	1,130	982	846
EXTERNAL LOAN						
Dollars	—	454	434	445 ³	423 ³	407 ³
Pounds sterling	—	433	435	429	420	412
Swedish crowns	—	29	28	27	27	26
Lire	—	17	16	19	21	20
Swiss francs	—	12	12	12	11	11
Totals ⁵	—	946	925	932	902	877
OTHER REICH DEBTS						
Other obligations to pay	27	19	19	10	9	9
Guarantees	448	105	52	51	42	—
Credit for reclaiming farm land	—	9	12	12	12	12
Loan from the Post Office	—	—	—	110	60	133
Short term loans	—	—	—	—	75	220
Totals ⁵	475	133	83	183	198	375
Grand totals ...	2,406	2,796	4,142	8,073	7,891	8,950

¹ Provisional estimates.² Nominal value.³ Capital value including premium on redemption.⁴ The inscription of this debt is not yet complete; it is expected eventually to amount to about 1,100 million reichsmarks.⁵ Differences due to rounding off.

the same period, the amount of war damages liquidation debt assumed by the Reich may be presumed to have shown a further increase, as the settlement of claims under the law is steadily progressing.

a. The Public Debt of the Reich.

The public debt of the Reich increased by 1,059 million reichsmarks during the financial year 1928-29, and on March 31, 1929, aggregated 8,950 millions. The details of the debt of the Reich on that date, as well as at the end of the five preceding financial years, will be found in the usual table on page 89.

1. Direct Indebtedness.

Over one-half of the large increase during 1928-29 is due to the inclusion of the war damage liquidation debt certificates, resulting from the final settlement of damages suffered by German nationals in respect of their property in foreign countries in consequence of the war, and of damages due to acts of war. The remainder of the increase consists principally of various forms of short-term borrowing which were availed of largely to meet the cash requirements of the Reich and to finance the budgetary deficits which have already been discussed in the chapter on the German budget.

The increases and decreases which occurred in the various items of the debt during the year are shown in the following summary, expressed in millions of reichsmarks:

NEW ITEMS:	
War damage liquidation debt certificates.....	562
Bonds issued to social insurance institutes	103
Bonds issued to banks.....	200
Bonds issued in connection with financial agreement with Rumania	45
INCREASES IN EXISTING ITEMS:	
Reichsmark bills	343
Short term loans.....	145
Loan from Post Office.....	73
	Gross increase.....
	1,471
Less:	
INDEBTEDNESS RETIRED:	
Loan liquidation debt.....	208
Bank debts, to Rentenbank and Reichsbank	136
External Loan, 1924.....	25
Guarantees	42
Treasury certificates repayable 1935	1
	Total decrease.....
	412
	Net increase.....
	1,059

The new items appearing in the public debt statement in 1928-29 were the war damage liquidation debt certificates, and three issues of bonds classified under the heading of Treasury certificates.

The war damage liquidation debt certificates issued under the law of March 30, 1928, have been fully described in previous Reports. Their eventual amount, over and above the cash payments

of about 250 millions made to those having small claims, is estimated at 1,100 millions, of which 562 millions had been issued up to March 31, 1929. These certificates are expressed in gold, bear interest at 6 per cent per annum from April 1, 1929, and are redeemable over a period of 19 years, from 1929 to 1948, the smaller holders having a priority with regard to redemption.

The additional issues of bonds were as follows:

(a) 103 millions nominal amount of 7 per cent two and four year bonds, repayable partly in October, 1930, and partly in October and December, 1932. These bonds were all issued to the social insurance institutes.

(b) 200 millions of seven and eleven month bonds, issued to banks at a discount of $7\frac{1}{2}$ per cent, about three-quarters of which are repayable September 30, 1929, and the balance January 31, 1930.

(c) 45 millions of bonds issued under the agreement of February 8, 1929, for the settlement of outstanding questions between Germany and Rumania, the provisions of which were summarized in the last Report. These bonds represent three equal annual payments of 15 millions each, due April 1, 1929, 1930 and 1931.

The increases in existing items of the public debt were as follows:

(a) The three months' reichsmark bills discountable at the Reichsbank and issuable to a maximum of 400 millions rose during the year from 40 millions to the full 400 millions, though on March 31, 1929, the amount actually outstanding was 383 millions. The proportion of these bills issued in the market steadily increased from 37.5 per cent at the beginning of the year to 91 per cent at the end.

(b) Short-term loans increased from 75 millions at the beginning of the year to 220 millions at the end. Loans of this character were availed of for the first time in December, 1927, and again at the end of March and June, 1928; but since November, 1928, they have appeared as a regular item in each of the monthly debt statements. The amount given in the debt statement for March 31, 1929, does not appear, however, to include the overdraft of 100 millions in the current account of the Reich with the Reichsbank, the short-term advance of 100 millions made by the Preussens-kasse, or the short-term credit of 150 millions from the banks.

(c) The loan from the Post Office, made from the funds of the postal check service, was continuous throughout the year, though varying in amount. It increased from 60 millions to 133 millions during the year, the lowest points having been in July and August, 1928, when it stood at 20 millions.

The decreases in existing items of the public debt were as follows:

(a) The loan liquidation debt, representing the revalorization of the paper mark debts of the Reich, decreased during the year by 208 millions, due to the drawings of September 3 and October 8, 1928. This item of indebtedness, which has been fully described in previous Reports, remained unchanged throughout the year except as it was reduced by redemptions. Nevertheless, the amount

entered in the debt statement is still reported as provisional, indicating that there are unsettled claims outstanding. Up to March 31, 1929, a total of 460 millions of this debt had been redeemed. No details have been published as to the amount or manner of investment of the sinking fund established in connection with the loan liquidation debt, but according to the amortization table attached to a memorandum presented to the Reichstag by the Finance Ministry on November 14, 1928, the amount of the fund on March 31, 1929, was calculated to be 210 millions. The 1929-30 budget indicates that the payment of 51 millions due to the sinking fund in that year will not be made in cash as hitherto but in bonds of the Reich loan of 1927 which the Reich acquired in supporting the loan in the market.

(b) The debt to the Reichsbank decreased by the usual 9 millions. The debt to the Rentenbank decreased by 127 millions, which is 12 millions less than in the preceding year, mainly because of larger postponements of interest payments accorded to owners of mortgaged land.

(c) The decrease of 25 millions in the External Loan of 1924 was due to regular redemptions in accordance with the amortization plan and to small differences in the reichsmark equivalent of the various tranches, owing to exchange fluctuations.

(d) The decrease of 1 million in the Treasury certificates repayable in 1935 represents amounts acquired in supporting the issue in the market.

(e) The item of guaranties has disappeared from the debt statement with the liquidation of the balance of 42 millions in the commitments undertaken by the Reich in respect of food purchases in Holland shortly after the war. Many guaranties, however, still remain outstanding, and are summarized in the following section.

The public debt operations for the first quarter of 1929-30 are not yet reported in the official statements, but during the quarter the Reich has issued an internal loan and arranged two relatively short credits, largely, it appears, for the purpose of replacing current credits which had been taken up in providing for its cash requirements. These new borrowings were as follows:

(a) An issue of 5-15 year bonds of an internal loan offered at 99, carrying 7 per cent interest, with exemption from the property tax and from all taxes on income, including the tax collected by general assessment. The bonds are also exempt from succession duties, provided that the testator was the original owner. Subscriptions to the loan aggregated about 180 millions.

(b) A one-year bank credit up to 210 millions, arranged with a syndicate of German banks, at an interest rate of $7\frac{1}{4}$ per cent on the amounts actually drawn, plus a commission on the whole at the rate of 1 per cent. The official announcement added that the German syndicate had been "enabled to give this credit by making on its own part a corresponding agreement with an American syndicate".

(c) Further short-term credits from the German Railway Company, bringing the amount of available credits from this source up to 180 millions.

2. *Guarantees.*

In addition to the guarantees entered in the public debt statement, the Reich has from time to time undertaken guarantees in aid of industry, foreign trade, agriculture, housing, etc. No statement of the liabilities of the Reich under these guarantees was published until March, 1929, when the financial survey attached to the draft budget for 1929-30 furnished a detailed list of outstanding guarantees as of October 1, 1928. At that time the guarantees undertaken by the Reich but not shown in the public debt statement aggregated 1,189 million reichsmarks and were classified as follows, expressed in millions of reichsmarks:

AGRICULTURE:

Agricultural machines	21.0
Flax growing	7.5
Fertilizers	33.5
Vine-growers	30.0
Cattle companies, etc.....	<u>23.0</u> 115.0

TRADE AND COMMERCE:

Russian credits	138.5
Export credits insurance	65.0
Other aids to export	67.0
Industrial undertakings, Vulkan, Schichau, Mannesmann, etc.....	30.0
Dividend on 7 per cent preference shares of Railway Company.....	<u>400.0</u> 700.5

CANALS AND SHIPPING:

Rhine-Main-Danube Canal A. G.	36.5
Neckar Canal A. G.	8.0
Tank Steamers, etc.	<u>24.0</u> 68.5

HOUSING AND SETTLEMENTS:

Small dwelling houses	200.0
Refugee settlements	70.0
Small dwellings for Reich employees and war victims.....	<u>25.0</u> 295.0

OCCUPIED TERRITORY AND MISCELLANEOUS:

Miscellaneous	10.1
Total guarantees	1,189.1

The explanation which accompanied the survey states that this large total, though technically correct, was subject to certain qualifications. The guaranty of dividends on 400 millions of preference shares of the Railway Company, it was explained, would probably never have to be called upon; and the 70 millions in respect of refugee settlements and 155 millions of the

200 millions included under housing and settlements had not yet been assumed. Of the fertilizer credit, it was stated that 30 millions out of the 33.5 millions had been or were being liquidated, with a loss up to that time of only 50,000 reichsmarks. If deductions were made for these various items, the total of the other guaranties as of October 1, 1928, would stand at about 530 millions.

The degree of risk involved in the guaranties given by the Reich cannot be ascertained, since most of the items have not yet matured, but the greatest risk lies in credits to individual industrial undertakings and branches of enterprise. To cover these risks reserves of 14 millions were set aside in the budgetary accounts of 1927-28 and of 30 millions in the accounts of 1928-29, while 13 millions are set aside in the budget of 1929-30. The reserves of 1927-28 and 1928-29 are exhausted owing to the various demands which have been made upon them. Up to October 1, 1928, these demands aggregated 45 millions, of which 30 millions were on account of the vine-growers' credit, while the balance was due mainly to guaranties granted to private enterprise. The vine-growers' credit, which was originally to have been repaid December 31, 1927, was prolonged until the autumn of 1929, and the Reich in the meantime had to make good its guaranty. The extent of the loss which will eventually result from this guaranty cannot yet be estimated, but apparently the other items aggregating 15 millions represent definitive losses.

Since October 1, 1928, the date as of which the foregoing list of guaranties was prepared, further authorizations of guaranties in aid of foreign trade, aviation, etc., have appeared in the 1929-30 budget law, representing for the most part renewals of former authorizations. In addition, the law of March 26, 1929, increased the guaranties which the Finance Minister was authorized to assume in respect of dwelling house construction from 200 millions, as shown in the foregoing table, to 250 millions.

b. The Public Debts of the States and Communes.

The first official statistics concerning the public debts of the States and communes have been published since the last Report. It will be recalled that by decree of June 23, 1928, the States and the communes were required to furnish to the Reich current statements of their debts beginning with the year 1928-29. Monthly statements must be furnished by the States and by communes with over 100,000 population, while quarterly statements are required from communes with a population between 10,000 and 100,000. Three instalments of statistics have thus far been published, which give figures as of December 31, 1928, for the pre-stabilization debts of the States and communes, and as of March 31, 1928, for the post-stabilization debts of the States and that part of the post-stabilization debt of the communes contracted abroad. The following table shows the total public debts of the

States, Hanseatic cities, and communes on March 31, 1928, on the basis of the official published figures, and includes the post-stabilization debts of the communes contracted within Germany as estimated by the Economic Service of the Transfer Committee.

Public debts of the States and communes, March 31, 1928 (In millions of reichsmarks)	States	Hanseatic cities	Communes	Totals ⁴
Pre-stabilization debts:				
Revalorized paper mark debts:				
Bonds with redemption rights	28	97	1,049	1,174
Bonds without redemption rights.....	1	11	17 ¹	29
Debts contracted in terms of fixed values:				
contracted within Germany ..	32	40	34 ²	106
contracted abroad	—	—	29 ²	29
Totals ⁴	62	148	1,129	1,338
Post-stabilization debts:				
contracted within Germany ..	725	34	1,950 ³	2,709
contracted abroad	512	219	542	1,273
Totals.....	1,237	253	2,492	3,982
Grand totals ⁴	1,298	401	3,621	5,320

¹ Excluding communes with less than 5,000 inhabitants.

² Excluding communes with less than 10,000 inhabitants.

³ Estimated by Economic Service of the Transfer Committee.

⁴ Differences due to rounding off.

1. *Pre-stabilization Debts of the States and Communes.*

The total liability assumed by the States and the communes in revalorizing their paper mark debts was 1,302 million reichsmarks, of which 99 millions had been redeemed up to March 31, 1928. On that date 1,203 millions remained outstanding, of which 1,174 millions represented bonds with redemption rights, including the premium payable, if any, and 29 millions represented bonds without drawing rights. About 230 millions of disputed claims remained unsettled.

Almost the entire amount of the revalorized debt, or 1,174 millions, consisted of obligations of the three Hanseatic cities and the communes. The revalorized debt of the States amounted to only 29 million reichsmarks, owing to the fact that practically all of their paper mark indebtedness was on account of the State railways, and was assumed by the Reich when it took over the railways.

The statistics thus far published do not give any indication of the amount of the original indebtedness represented by the present revalorized debt, but the explanatory memorandum submitted to the Reichstag on April 25, 1925, with the draft law for the

revalorization of the paper mark debts of all German public authorities, stated that

the pre-war debts of the States and Hanseatic cities, after deducting 14,247 million marks relating to State railways assumed by the Reich, amounted to	2,026 million marks
the post-war paper mark debts of the States and Hanseatic cities aggregating 242,263,000,000 millions, amounted, on a gold basis, calculated at their gold value at the time of issue, to approximately.....	327 million reichsmarks
the pre-war and post-war paper mark debts of the communes, provisionally estimated, on a gold basis, calculated at their gold value at the time of issue, amounted to approximately ...	9,000 million reichsmarks.

To some extent the pre-stabilization debts of the States and communes were contracted not in paper marks but in terms of fixed values. These were issued mainly during the period of acute inflation, and on March 31, 1928, they were still outstanding to the amount of 135 million reichsmarks. Generally speaking they consist of obligations to repay a unit of weight, such as a ton of coal or a hundredweight of rye. Those which are expressed in terms of gold or commodities are usually quoted at so many reichsmarks per gramme of gold or per hundredweight of commodity. The interest and amortization are calculated on the basis of the average market price of the commodity in a given market over a given period. All but 29 millions of the fixed-value debt was issued within Germany. The following table shows the debtors and the various classes of this debt.

Fixed-value debts of States and communes, March 31, 1928 (In millions of reichsmarks)	States	Hanseatic cities	Communes (with more than 10,000 inhabitants)	Totals
Gold	0.12	13.95	—	14.07
Rye	14.18	—	10.06	24.24
Other commodities	17.88	—	7.13	25.01
Foreign currencies	0.09	25.81	45.89	71.79
Totals¹	32.28	39.76	63.08	135.12

¹ Differences due to rounding off.

2. Post-stabilization Debts of the States.

The post-stabilization debts of the States and Hanseatic cities, excluding credits from the Reich, aggregated about 1,490 million reichsmarks on March 31, 1928. These debts were about equally divided between debts contracted within Germany and debts contracted abroad, but on the whole the debts contracted abroad were for longer terms than those within Germany.

Of the 657 millions of debts contracted for periods up to 5 years, 143 millions are stated to have been Treasury bills or other working fund credits required in consequence of the irregular flow of revenues.

Period of currency of the post-stabilization debts of the States and Hanseatic cities, March 31, 1928	Contracted in Germany		Contracted abroad	
	Millions of reichsmarks	Per cent	Millions of reichsmarks	Per cent
10 years or more	292	38.5	522	71.4
5 to 10 years	18	2.4	—	—
1 to 5 years	227	29.9	113	15.5
Less than 1 year	221	29.1	96	13.1
Totals ¹	759	100.0	731	100.0

¹ Differences due to rounding off.

The statement regarding the post-stabilization debts of the States and Hanseatic cities makes the following general observations about the utilization of the funds obtained from loans and credits:

"The objects to which the credits were devoted clearly reveal the special character of the debts of the States and their significance with reference to the provision of capital for enterprise as a whole. Of the total capital requirements of enterprise in Germany, the requirements of those branches which cannot reckon with a high or immediate return are financed from the loans of the public corporations. At present this applies more particularly to housing and agriculture, whose capital requirements can for the most part only be met through the credit facilities of the public corporations. In addition, it is a peculiar feature of the German economic system that transport organization almost entirely, and the provision of electric power to an increasing extent, come under the sphere of public, instead of private administration."

The statement also gives an analysis, so far as information is available, as to the purposes to which the net proceeds of the loans issued and the credits obtained from the Reich by the States and Hanseatic cities up to March 31, 1928, have been applied. The results of this analysis, expressed in percentages rather than in absolute amounts, appear in the following table:

ADMINISTRATIVE AND PRODUCTIVE PURPOSES	Percentage
Communications, including harbors	24.11
Housing and settlements	14.59
Agriculture and forestry	13.01
Electricity supply, etc.	12.75
Miscellaneous	9.72
Welfare	4.77
Mines	3.68
Banking	2.45
Irrigation, dykes, etc.	1.91
Education	1.28
General administration, including police, justice and finance	0.51
Total	88.78
 BUDGETARY PURPOSES	
Working funds	9.16
Cover for budgetary deficits	2.05
Total	11.21
Grand total	100.00 ¹

¹ Difference due to rounding off.

The statement indicates that the total amounts of the loans and credits are not covered by this analysis, and it is accordingly impossible to determine whether or not the percentages given may be regarded as fairly representative of the whole volume of loans and credits obtained by the States and Hanseatic cities.

The official figures have not yet been published for the total public debts of the States and Hanseatic cities for any date later than March 31, 1928. The Economic Service of the Transfer Committee estimates, however, on the basis of loans issued, that the public debts of the States and Hanseatic cities on March 31, 1929, amounted to a total of about 1,900 millions, without taking into account the net increase of short-term indebtedness during the preceding twelve months.

3. Post-stabilization Debts of the Communes.

Up to this time the official published figures for the post-stabilization debts of the communes show only the debts contracted abroad, which are reported to have totalled 542 million reichsmarks as of March 31, 1928. The Economic Service of the Transfer Committee estimates that their domestic post-stabilization debts, as of the same date, amounted to a total of about 1,950 millions. The German Municipal Association estimates that the short-term debts of the communes on December 31, 1928, were about 950 millions, of which about 160 millions were working fund credits and the balance of 790 millions were contracted in anticipation of later conversion into long-term indebtedness. The Economic Service of the Transfer Committee, on the basis of the long-term loans issued by the communes since stabilization and the short-term credits taken up by them, estimates their total indebtedness on March 31, 1929, at about 4,700 million reichsmarks, of which about 1,100 millions represent pre-stabilization debts and the balance post-stabilization debts.

4. Credits and Guaranties.

In addition to direct indebtedness, the States and communes have certain liabilities in respect of reimbursable credits received from the Reich, and also in respect of guaranties assumed in connection with loans issued by various public and semi-public undertakings in which they have a capital participation. No figures are available to show the total liabilities of the communes on these accounts, but the published statistics place the liabilities of the States and Hanseatic cities, on March 31, 1928, at a total of 618 millions in respect of guaranties, consisting principally of guaranties of bonds issued by the public credit institutions, and at about 88 millions in respect of Reich credits. The figure for Reich credits is stated to be incomplete, in that the amount of Prussia's liability to the Reich, which is known to be large, was not available at the time the statistics were prepared. The Reich credits consist in the main of funds granted for productive unemployment relief and for the con-

struction of small dwellings, the latter item alone amounting in the aggregate to nearly 200 million reichsmarks. Other smaller credits have been granted for the construction of houses for agricultural workers, disabled soldiers and war-widows. Most of these credits have been distributed by the States to their provinces and communes, and to private industry, and from the standpoint of the States, therefore, have the character of guaranties assumed by them.

VI. German Credit Conditions and the Currency.

In the autumn of 1928, the available official figures showed that normal forces had again asserted themselves in many departments of the German economy, giving evidence of underlying stability and of a broader and sounder basis of credit. In the following six months, the period covered by the present Report, the situation has been dominated by forces of an extraordinary nature, including, on the one hand, the unprecedented severity of the winter and the strained cash position of the Reich, and, on the other, the attraction of high money rates in New York and the suspense incident to the work of the Experts' Committee for the final settlement of the reparation problem. For a considerable time these forces were operating together, and the result was to set in motion again various processes of business recession, while in April and May credit conditions passed through a phase of singular strain and intensity. By the middle of May it was evident that the Reichsbank had taken effective measures to deal with the situation, and the tension was further relieved with the agreement reached by the Committee of Experts, which removed the principal factor of uncertainty. At the end of June, it appears from such figures as are at hand that the critical point has been passed and that German business as a whole is again going forward, subject to the restraint imposed by the high cost of money, in which the financial demands of the Reich and the other public authorities remain an important contributing factor.

The rebuilding of the domestic supply of capital to the point at which interest rates decline, remains as at all times since stabilization the central problem of the German economy. In the last six months the fund of ready capital has gained on the whole no enlargement from abroad; on the contrary, the movement of funds has been away from Germany, and the gold base supporting the credit structure has narrowed. In part, as will be seen in later sections of this chapter, the outward flow of funds was due to conditions which affected Europe more or less uniformly. These conditions centred on the high rates for money current in New York, which attracted funds from the principal money markets of the world, including those of Germany. But in addition to this powerful influence, another force operating in the same direction during most of the period and with particular vigor in April and May, was the uncertainty as to whether agreement would be reached at the meeting of the Experts in Paris. From the end of December, 1928, until the end of May, 1929, the reported reserves of the Reichsbank declined by about 820 million reichsmarks, and in addition the Reichsbank lost a large but unstated amount of foreign exchange from its stocks of *devisen* not separately reported.

Uncertainty as to the outcome in Paris had its effects in other directions also, but in a manner more difficult to measure. It cannot be doubted, for example, that imponderable forces were at work both before and during the meeting of the Experts which acted as a dampener on initiative and restrained the growth of German business. The unanimous agreement reached by the Experts

early in June removed this feeling of uncertainty, and itself became a factor of direct and immediate economic importance.

In the following pages the various forces operating on the supply of credit and the demand for it are briefly analyzed, and in later chapters German foreign trade and business activity are described. The discussion is confined as closely as possible to the events of the past six months, and gives a preliminary statement of the facts as they appear in their present short perspective.

a. Germany and the International Money Markets.

The shortage of capital in Germany has been such that during most of the period since stabilization the German economy has been a borrower from abroad. This was inherent in the facts of the inflation, which scattered such liquid capital as was left over from the war and drove much of it abroad. In the process of filling up the vacuum thus caused, funds in large volume have moved toward Germany, with consequences which have been explained at length in previous Reports.

The position of borrower in the international markets has made Germany peculiarly sensitive to changes in money conditions in other financial centres. During the past year, these changes have been pronounced, and the currents of international money movements have markedly altered. The United States, for example, which has been the main source of long-term loans to Germany ever since stabilization, and one of the principal sources for short-term funds, reversed its position about a year ago, and instead of being a large lender to foreign countries became a large borrower. During the last half of 1928, the withdrawals of funds from Germany to the United States were more than offset by an inflow of funds from Great Britain, Holland, Switzerland, and particularly France. But during the first half of 1929, from the causes already mentioned, the aggregate movement was away from Germany and funds flowed out in great volume.

This outflow, its causes and effects and the measures undertaken by the Reichsbank to bring it to an end constitute the principal development in the German credit situation in the past six months. The interweaving of forces and the different bearing each has had on the situation at different times make it convenient to describe the events in their chronological order rather than to discuss them separately as has been done in previous Reports. The period divides itself into two parts, the first covering the period up to March 31, 1929, and the second up to the present time, that is to say, up to the end of the second quarter of 1929. At the close of the chronological review, a brief statement will be given with respect to the volume of foreign loans during the six months' period.

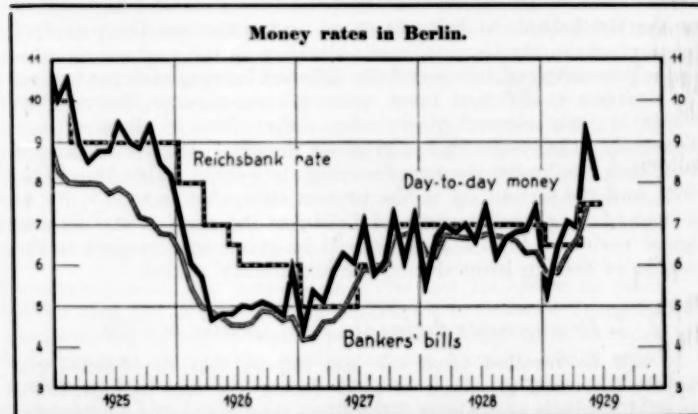
1. Developments during the First Quarter of 1929.

It will be recalled from the last Report that the Reichsbank rapidly increased its stock of gold during the last half of 1928. Its gold holdings rose about 650 million reichsmarks in six months,

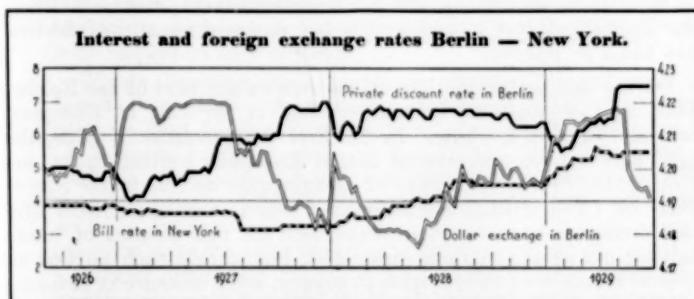
reaching on December 31, 1928, the sum of 2,729 millions. This total was the largest since stabilization, and it provided a fund which proved later to have the highest importance in dealing with the adverse conditions which developed in April and May. The Reichsbank was then able, as will be seen at a later point in this chapter, to protect the German exchange and at the same time to avoid in large measure the contraction of credit which would otherwise have followed the large gold exports of that period, and which might otherwise have been violent and prolonged.

The other side of the picture at the end of 1928 was that the newly-acquired gold of the last half of the year was more than equalled by new debt owing abroad. Through a combination of circumstances fully described in the last Report, among which was a greatly improved foreign trade balance, new loans placed abroad for German account had operated forcibly on the foreign exchanges and made it profitable for bankers to export gold from London and other centres for sale to the Reichsbank. If these circumstances continued to exist, the movement of gold to Germany was likely to go on somewhat further, side by side with an increasing volume of indebtedness to abroad.

The dominant motive leading foreign investors to lend to Germany was, of course, the high rates of interest to be earned in the German market. On January 12, 1929, the Reichsbank lowered its rate of discount from 7 to $6\frac{1}{2}$ per cent. The immediate effect was a decline of the general level of interest rates in Germany, which the seasonal increase in the supply of money somewhat accentuated. At that time also, and continuing with increasing severity through the month of February, winter weather with extreme temperatures had set in, which seriously restricted business activity and reduced somewhat the demand for money. Furthermore, the German security markets were inactive, and the funds required for current share and bond transactions were relatively limited. In consequence of these various forces, among others, the general level of open-market money rates fell to a lower point in January, 1929, than at any time since the early months of 1927.



The decline in German interest rates after the first of the year had an immediate effect upon the foreign exchanges. Whereas on December 15, 1928, the reichsmark had stood above parity with sixteen out of the seventeen principal gold currencies in the world, on February 15, 1929, it was below parity with eleven of them. A rise in interest rates in other centres, particularly in New York, aided in producing this result.



The foregoing diagram illustrates only one interest rate in each of the two countries, a rate which is nearly though not absolutely comparable between the two markets, and is perhaps the least subject to fluctuation of all open-market rates currently quoted. It will be seen that during the last six months as in previous periods, whenever the margin has widened between the Berlin rate and the rate in New York, the value of the dollar in terms of reichsmarks has tended to fall; and, on the other hand, whenever the margin has narrowed, the value of dollars has tended to rise. In February, 1929, the margin between the two rates was narrower than at any time since early in 1927, and at that time also the dollar was at a premium over the reichsmark.

The special influence operating on the level of interest rates in New York has been the prolonged and intense activity on the New York Stock Exchange. It has had the double effect of interrupting or reducing the volume of long-term lending to Europe and of attracting investment money from Europe to the United States. Moreover, the high rates of interest carried by Stock Exchange call loans have caused large amounts of short-term funds to flow to the New York market from abroad. The New York call loan rate in February, 1929, fluctuated between 6 and 10 per cent, in March between 6 and 20 per cent, in April between 6 and 16 per cent, and in May between 6 and 15 per cent. These levels, on the average, surpassed any rates that could be obtained during this period in Germany for loans with anything like the same security.

The lower money rates in Germany and the high and rising rates in New York were bound to find their reflection in a decline in the Reichsbank's reserves. The Reichsbank holds practically the entire stock of gold existing in Germany outside of the relatively small and static reserves which the minor banks of issue are obliged to maintain against their notes in circulation. The Reichsbank also holds the residual stock of foreign exchange, since it stands ready

at all times to buy at rates acceptable to it any surpluses of foreign exchange appearing in the market, and to sell any marginal amounts which the market requires. In January the inward flow of gold and devisen stopped and the Reichsbank's reserves remained practically stationary; in February there was a moderate decline in its holdings of devisen, and in March there was a loss of both devisen and gold. Altogether the Reichsbank's reserves declined in these three months by 166 million reichsmarks, and in addition the Reichsbank lost a considerable but unstated amount of devisen not listed as reserve.

During this period the loss of reserves on the part of the Reichsbank was proportionately smaller than in the case of European central banks as a whole. In the first three months of 1929, the gold and devisen reserves of fifteen European central banks, including the Reichsbank, showed an aggregate decline in the equivalent of 1,218 million reichsmarks. When it is understood that this decline in reserves represented not the full amount of funds moving out of the markets concerned, but merely such portion as central banks were called upon to supply, some measure is obtained of the strength of the movement of funds away from Europe. Many of the central banks took action calculated to protect their reserves. Early in February the Bank of England raised its discount rate; in March the rates of the Banks of Italy and the Netherlands were also raised, and in April similar action was taken by the Banks of Poland, Hungary and Austria. The Reichsbank, however, maintained its $6\frac{1}{2}$ per cent rate until April 25, 1929.

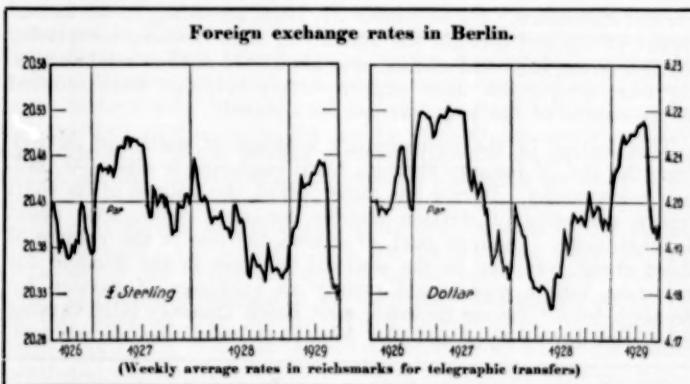
2. Developments during the Second Quarter of 1929.

The second quarter of 1929 introduced into the German credit situation a new phase of singular intensity. Up to that time, as has already been seen, though the Reichsbank had not raised its discount rate in conformity with the general advances in other countries, the credit developments in Germany had had their counterparts in other financial centres, and on the whole had reflected the results of ordinary economic forces. In April, however, forces of another nature intervened to supplement those already in action, depressing the reichsmark still further and causing very large withdrawals of gold and devisen from the Reichsbank.

The new forces were in effect a concentration of the influences which had been exerting themselves in Germany ever since the previous September, when the Governments concerned reached their decision to summon a Committee of Experts for the final settlement of the reparation problem. The public discussions which preceded and accompanied the meeting of the Experts' Committee had given rise within the country to nervousness about the future, and as the Conference proceeded into the second half of April there was added a growing doubt as to whether the Experts would succeed in reaching a positive result. For a time there seemed to be even a probability that the Conference would dissolve without agreement, and under these conditions the general feeling of uncertainty quickly developed into a dynamic force which profoundly affected the German credit markets and particularly the foreign exchanges.

The large volume of foreign deposits in German banks and the large amount of German bills circulating in foreign markets made the German foreign exchange position exceedingly sensitive. Early in April it was already apparent that foreign bankers were showing more and more disinclination to buy German bills; accordingly bills falling due could not be covered from the proceeds of fresh bills discounted, but had to be taken care of by other means. Later in the month there developed some disposition on the part of foreign bankers to withdraw deposits then subject to call and to give notice with respect to time deposits.

Within Germany similar evidences of a lack of confidence manifested themselves. A tendency developed to convert domestic balances into foreign funds, and to postpone the bringing home of balances accruing abroad. Large sales of reichsmarks were made on speculative account, and even more important as illustrating the attitude of people of small means, a demand developed for notes in foreign currencies, which were quoted for a time at a premium over the rates for telegraphic transfer. At the end of April a marked divergence appeared between the foreign exchange rates as officially quoted on the Berlin Bourse and those quoted outside. For some days transactions were effected after the closing of the Bourse at as much as $\frac{1}{4}$ per cent premium over the official rate. Furthermore, the dollar-reichsmark exchange on the New York market at this time was generally quoted at a rate lower than the corresponding rate in Berlin.

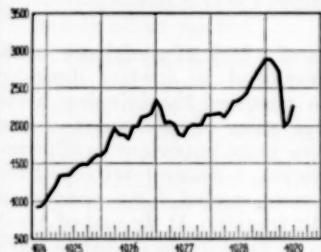


The Reichsbank freely met the demands for marginal amounts of foreign exchange which these conditions imposed. During the first half of April its reported reserves of gold and devisen declined by 265 million reichsmarks. During the second half of April the decline proceeded still more rapidly, reaching a total for the two weeks of 463 millions, or 728 millions for the month as a whole, a sum far larger than during the entire first quarter of the year.

In order to obtain a sufficient supply of foreign exchange to meet the demand and thus to hold the reichsmark at or somewhat above the technical gold export point, the Reichsbank sold gold in April in the amount of 791 million reichsmarks. These sales

of gold were widely distributed among the main European and overseas financial markets; the principal shipments were to New York and Paris, the latter in exchange for dollar credits in New York. These operations of the Reichsbank were effected for its own account and had the practical result of preventing the purchase and shipment of gold from Germany on private account.

Reichsbank's holdings of gold and eligible devisen.

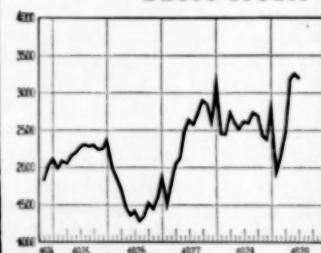


End of month figures in millions of reichsmarks	Gold	Eligible devisen	Total
1925 average ..	1,073	345	1,418
1926 ..	1,541	444	1,985
1927 ..	1,839	197	2,036
1928 ..	2,215	209	2,424
1928 December ..	2,729	155	2,884
1929 January ..	2,729	152	2,881
February ..	2,729	90	2,819
March ..	2,683	36	2,719
April ..	1,892	99	1,991
May ..	1,765	299	2,064
June ..	1,911	361	2,272

The foregoing diagram and table show only such devisen as the Reichsbank has reported from time to time in combination with gold as reserve against its note issue. Additional amounts of devisen held by the Reichsbank but for one reason or another not included as reserve are left out of the reckoning, since they do not appear in its current statements. On December 31, 1928, according to the annual report of the Reichsbank, the amount of such devisen, comprising foreign notes, bills and checks, was about 375 million reichsmarks. By what proportion these supplementary holdings were reduced in the course of the year has not been stated.

The decline in the Reichsbank's holdings of gold and devisen from the end of January through April amounted to about 900 million reichsmarks. During the same period, the volume of its short credit, exclusive of devisen eligible for note cover, rose about 1,300 millions. In some part, of course, the rise in the volume of short credit was due to the seasonal increase in the demand for currency, but it represented mainly an exchange of devisen for domestic bills. Among the latter were Reich Treasury bills, varying in amount during April and May from 75 to 200 million reichsmarks.

Short credit of the Reichsbank.



End of month figures in millions of reichsmarks	Bills and checks ¹	Collat- eral loans	Total
1925 average ..	2,168 ²	46	2,214
1926 ..	1,482 ²	98	1,580
1927 ..	2,362	91	2,453
1928 ..	2,484	106	2,590
1928 December ..	2,679	176	2,855
1929 January ..	1,783	102	1,885
February ..	1,889	297	2,186
March ..	2,353	135	2,488
April ..	2,927	262	3,189
May ..	3,005	255	3,260
June ..	3,001	194	3,195

¹ Including Reich Treasury bills.

² Figures for 1925 and 1926 adjusted, as indicated below.

The volume of Reichsbank short credit outstanding at the end of April was higher than at any time since 1927, as appears in the foregoing diagram and table. The figures given are the sum of three items currently given in the Reichsbank statement, namely bills and checks, Reich Treasury bills, and collateral loans, and for the period up to the middle of 1926 they have been adjusted, as explained in previous Reports, on such a basis as to afford a fair comparison with the figures of later dates.

On April 25, 1929, the Reichsbank raised its discount rate one point to $7\frac{1}{2}$ per cent, the highest rate since early in 1926. The higher rate was only partially effective in checking the outflow of funds and the free use of Reichsbank credit. For some time further the Reichsbank lost devisen in considerable volume. As an alternative to raising its rate still higher, the Reichsbank early in May resorted to the emergency measure of rationing credit, a means which it had employed in the period of recovery from the inflation and had found then to be successful. Rates of interest in the German market thereupon rose and exerted a repressive influence on all credit transactions.

These measures together checked the decline in the reichsmark and the loss of reserves by the Reichsbank; they also restored confidence, as they showed that the Reichsbank was prepared to take whatever steps were necessary to protect the currency. It was not, however, until after the middle of May that the full effectiveness of these measures was reflected in a rise of reichsmark exchange. By that time a turning point had come in the work of the Experts' Committee in Paris and it had become clear that an agreement was likely to be reached. Furthermore, as the Reichsbank's policy of credit restriction continued and money rates remained high, funds began to be drawn from abroad in order to meet ordinary credit and currency needs. After the middle of May the quotations for the reichsmark in the foreign exchange market began rapidly to strengthen and the Reichsbank increased somewhat its reserves of devisen. At first, however, the Reichsbank purchased only limited amounts of devisen and thus gave additional impetus to the rise of the reichsmark. On May 25, 1929, for the first time since the end of December, the dollar was quoted below parity with the reichsmark, and sterling declined to the computed gold import point. In the last week of May the Reichsbank increased its purchases of devisen and thus obtained sufficient reserves to cover the usual month-end currency needs with a reserve ratio above the legal minimum.

During June the reichsmark was quoted at a premium over all of the seventeen principal gold currencies, and the Reichsbank was able consistently to acquire devisen from the market out of the marginal amounts remaining after demands had been satisfied. Sterling exchange during June remained continuously below the gold import point, as the Reichsbank was discouraging gold shipments from England to Germany. In the last week of the month, however, gold shipments began and reichsmark exchange declined somewhat. These shipments substantially increased the gold holdings of the Reichsbank, and, as a result of gains in both gold

and devisen, the reported reserves of the Reichsbank at the end of June were about 453 million reichsmarks larger than at the low point on May 7th, while presumably its unreported holdings of devisen had increased as well. By the middle of June, the Reichsbank suspended its policy of rationing credit, and interest rates in the market showed some decline from the high levels of May.

3. Foreign Loans.

It follows from the conditions outlined in the two preceding sections that the volume of foreign long-term loans placed for German account during the half-year has been small. In general, during the period since the stabilization of the mark, German borrowing abroad has been in large volume, and the credits thus obtained have played an important part in supplying the capital and working funds needed for the reconstruction and expansion of German industry. Credits have also been obtained abroad for the use of agriculture; a number of loans have been made to church organizations; and the States and communes have borrowed large amounts for public purposes. The function of foreign loans in the German economic development, and the influences which the free use of foreign credit has exerted in former years upon the German economy, have been considered at length in preceding Reports, and there is no occasion to repeat the observations previously made. The radical reduction during the first half of 1929 in the volume of such credit has caused additional pressure on the domestic credit market, as will be seen in a later section.

Foreign loans (In millions of reichsmarks)	1925	1926	1927	1928	1929 Jan. 1 to June 30	Totals
Loans of States	138.6	270.6	267.3	—	—	676.5
Provincial or communal loans	256.0	249.5	112.5	237.4	19.8	875.2
Loans of public and semi-public undertakings:						
(a) of the Reich	161.7	25.2	336.0	152.3	—	675.2
(b) of the States, provinces and communes	202.8	351.5	205.7	588.3	124.4	1,472.7
Loans of private enterprises	472.0	742.0	597.3	529.2	135.1	2,475.6
Loans of various church organizations	25.1	57.6	4.1	32.2	10.5	129.5
Totals	1,256.2	1,696.4	1,522.9	1,539.4	289.8	6,304.7

As appears in the foregoing table, the total volume of foreign loans publicly issued for German account in the first six months of 1929 amounted to 290 million reichsmarks, as compared with 1,128 millions in the corresponding part of 1928. The main part of the issues in 1929 came in the first two months of the year; in the following three months the issues were negligible, but in June they became somewhat larger. The public and semi-public undertakings of the

German States, provinces and communes, always large borrowers abroad, received somewhat more than their usual share of the total. The loans of these undertakings, together with a small amount for the direct account of the communes, amounted to about one-half of the total loans offered abroad during the period. Taken altogether, the net effect of the new loans on the gross foreign indebtedness has probably not been important, after making due allowance for sinking fund instalments paid from time to time on the debt already outstanding.

In former periods it has appeared, in default of tangible evidence, that the amount of German foreign indebtedness was being much increased through the purchase by foreigners of domestic securities in the German markets. The first definite figures on this point were made available by the Reich Statistical Office late in May, 1929. As the result of an inquiry made from the banks, the Statistical Office reported that those institutions which answered its questionnaire had sold to foreigners during the year 1928 securities (mainly German) to the value of 2,300 millions. The same banks reported, however, that Germans had purchased during 1928 securities from abroad to a value of 1,900 millions. These securities were partly of foreign and partly of German origin. The net result of such transactions for the year, as stated by the reporting banks, represented an addition of about 400 millions in the investments of foreigners in Germany.

In addition to the issues shown in the foregoing table, it was officially announced on June 21st, that a syndicate of German bankers had agreed to place a credit of 210 million reichsmarks at the disposal of the Reich, and that the furnishing of this sum was made possible through a corresponding agreement by the German syndicate with a group of American bankers. The duration of the credit is for one year, and the interest rate is 7 $\frac{1}{4}$ per cent on such part of the credit as may be used, plus 1 per cent commission on the total amount of the credit.

Current changes in the volume of short-term debt owing abroad are not publicly reported, and such modifications as have taken place since the first of the year can be deduced only in very general terms. From the movement of the foreign exchanges, the net decline in the Reichsbank's reserves of gold and devisen, and the much reduced deficit in foreign trade, it is to be assumed that the short-term debt has been substantially reduced. According to estimates recently published by the Institut für Konjunkturforschung, the volume of foreign credits in Germany, other than long-term credits, amounted to about 8,500 million reichsmarks at the end of December, 1928. This figure is the accumulated balance of funds, excluding long-term loans, moving into and out of Germany, as shown in the balance of payments estimates of the Reich Statistical Office, and is stated to represent short-term credits to the extent of about 7,000 million reichsmarks. The Institut further estimates that in the first four months of this year the figure of 8,500 millions was reduced by approximately 500 millions, but without indicating the nature of the reduction.

b. Domestic Credit Position.

Under pressure of the forces outlined above, the domestic credit position was more than usually difficult during most of the past six months. It will be recalled from previous Reports that the supply of credit, particularly at long term, was already insufficient to meet the demand except as the latter was restrained by high rates of interest. The flow of funds away from Germany during the spring of 1929 caused some further restriction in the capacity to grant loans, with consequences visible in a diminished amount of bank credit, in a smaller volume of new capital issues, and otherwise.

The cash difficulties of the Reich, the origin and nature of which have been discussed in the chapter on the budget, were a further cause for credit strain. Since last November the Reich has been an active borrower in the short-term market; the amount of Treasury bills outstanding has been consistently at or near the legal maximum, and from time to time it has borrowed at the banks to meet pressing requirements. The Reich has also, by special agreement with certain of the public and quasi-public offices, borrowed funds for its own use which the latter would ordinarily have placed in the market.

Latterly, by reason of the corrective measures instituted by the Reichsbank and the renewed confidence following upon the unanimous agreement of the Experts' Committee in Paris, the credit stringency has moderated and the difficulties inherent in it have become measurably relieved.

In the following sections the developments in the various branches of the money and credit markets are briefly discussed. For the most part, the facts are left to speak for themselves, inasmuch as the background has already been established in previous Reports.

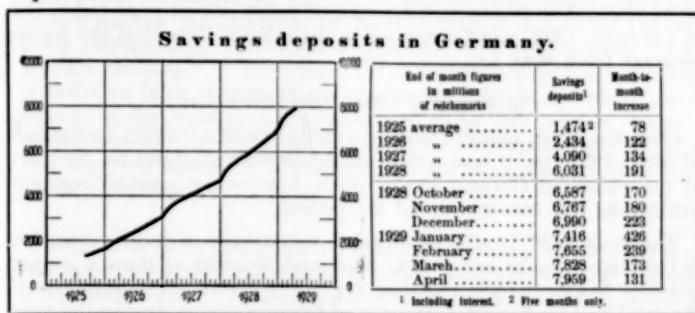
1. Formation of Capital.

The only two phases of capital formation in Germany which are covered by regularly reported sets of figures, are the savings deposits reported by the savings offices or Sparkassen, and the amounts paid to life insurance companies in the shape of premiums on policies. While the premiums paid reflect the course of saving through life insurance, they are not in themselves a measure of capital formed; this can be ascertained only by the growth of insurance reserves, as to which figures are not available.

During the past six months the Sparkassen have reported increases in deposits in about the same amount as during the corresponding period a year ago; but since the figures include interest credited to the savings accounts, and since the latter are somewhat larger than in the previous year, the actual volume of new savings represented by the increased deposits may be somewhat smaller.

The growth of savings deposits during 1928 is now susceptible of further analysis in the light of material made public by the central organization of the savings offices. Out of the 2,292 millions of new savings deposits made in 1928, about 92 millions represented deposits credited under revalorization laws in partial compensation for losses during the inflation, and 206 millions represented interest.

Interest comprised only 9 per cent of the total increase for the year, whereas in 1913, by reason mainly of the far larger sums on deposit, interest amounted to about 61 per cent of the yearly increase. The total of savings deposits in the Sparkassen at the end of April, 1929, was 7,959 millions, or about 40 per cent of the 19,689 millions on deposit at the end of 1913.



Two other agencies which receive savings deposits do not report current figures on savings account. Large commercial banks holding membership in the Berlin Bankers' Association (Stempelvereinigung), which comprises a large part of the banking strength of Germany, have been accepting savings deposits for about a year and a half, but their statements do not distinguish savings deposits from other deposits subject to notice. The co-operative organizations (Genossenschaften), of which there are over 50,000 in Germany, also receive savings on deposit, but no reliable estimate with regard to them is available for a period later than 1927. It is estimated that the growth in savings deposits placed with co-operatives in that year amounted to more than 500 million reichsmarks.

During the first four months of 1929 life insurance premiums received by both public and private institutions averaged 59 million reichsmarks a month as compared with 49 millions during the corresponding period of 1928. Insurance in force is still increasing at a fairly steady rate, but apparently at not so fast a pace as in 1928.

Life insurance in public and private institutions (in millions of reichsmarks)	Amount of insurance in force	Premiums paid during two-month periods
1925 average.....	—	54
1926 average.....	—	69
1928 average.....	12,076	101
1927, December 31.....	10,318	83
1928, February 29.....	10,961	94
April 30.....	11,417	103
June 30.....	11,865	93
August 31.....	12,336	102
October 31.....	12,728	108
December 31.....	13,147	103
1929, February 28.....	13,598	115
April 30.....	14,060	122

Unfortunately, the useful estimates of the Reichs-Kredit-Gesellschaft with respect to the annual formation of capital in Germany have not yet been extended to cover the year 1928, though about a year ago, in its report for the first half of 1928, the Reichs-Kredit-Gesellschaft estimated generally that domestic capital formation during the half-year had proceeded at about the same average rate as in 1927. The estimates for previous years, which were published in January, 1928, were described in the interim Report of the Agent General for a year ago.

2. *Banking and Other Short-term Credit.*

Over the seven months from the end of October, 1928, to the end of May, 1929, there was some further growth of credit on the part of the principal German banks, with, however, a marked reaction during the last two months of the period.

The year 1928, it will be recalled, was a year of large expansion in banking deposits and loans. The total deposits of the six largest German banks, which together represent about three-quarters of the total private banking strength of Germany, rose during the year by about 1,600 millions, as compared with an increase of about 1,200 millions in 1927. In some considerable part this increase was derived from abroad, but in default of published information it is impossible to determine the proportion.

Large private banks (in millions of reichsmarks)	Jan. 1, 1924	Dec. 31, 1926	Dec. 31, 1927	Dec. 31, 1928 ¹	March 31, 1929	May 31, 1929
<i>Assets</i>						
Cash, amounts due from clearing banks and banks of issue	106	262	327	380	218	216
Amounts due from banks and bankers	459	786	1,034	1,200	1,157	1,060
Bills and treasury notes	42	1,556	1,858	2,527	2,490	2,015
Advances on merchandise	74	457	776	1,399	1,444	1,408
Advances on stocks and bonds	17	718	530	665	611	601
Sundry loans—total	518	2,849	3,688	4,272	4,695	4,599
(a) on stock exchange securities	—	—	—	1,171	1,142	1,091
(b) other	—	—	—	3,101	3,553	3,508
Bank buildings	157	163	159	161	153	153
<i>Liabilities</i>						
Capital stock	452	509	527	527	505	520
Reserves	169	213	243	254	265	274
Deposits	1,058	5,676	6,871	8,452	8,561	7,786
Customers' credits with other banks	—	294	632	1,218	1,218	1,248
Acceptance liabilities	2	316	384	412	424	474
Long-term liabilities	—	—	189	189	189	189

¹ Figures to an unimportant extent estimated.

There was a moderate further expansion during the first three months of 1929. In April and May, however, the tendency was reversed. At that time, from causes already outlined earlier in this chapter, the general credit situation became extremely tense. The decline in deposits during these two months, according to the month-end statements of the principal reporting banks, amounted to 775 million reichsmarks, by far the largest reduction reported since stabilization. From the movements then taking place on the foreign exchanges, it is evident that at this time deposits were being withdrawn from Germany in considerable volume, but there are no figures in the published statements to show the precise extent of such withdrawals. Total credits declined correspondingly in April and May, but mainly in the category of assets eligible for rediscount at the Reichsbank.

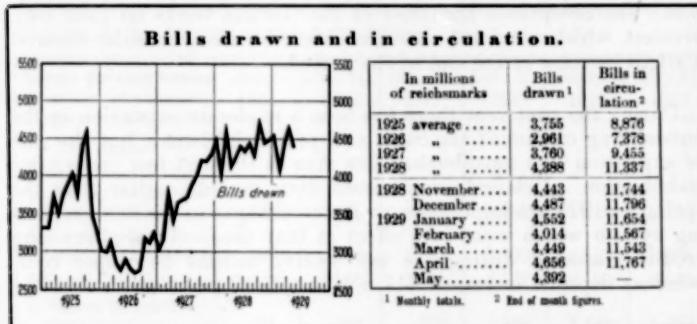
As will be seen from the foregoing table, there has been a large increase during the last year in the item showing customers' credits with other banks. These represent acceptance credits granted by foreign banks to German firms through the medium of German banks. The corresponding entries on the assets side of the bank statement are made under the item showing advances on merchandise. The acceptance liabilities of the German banks on their own account, which remained almost constant for many months, showed a slight increase at the end of the period.

During the past year there has been a moderate expansion in the outstanding credits of the State and provincial banks, but the rate of expansion was considerably less than in the first few years after stabilization. Detailed comparisons over periods earlier than the spring of 1928 are impossible, owing to changes in the bank reporting system which went into effect at that time. Total short-term credits increased during the last twelve months by 9 per cent, whereas deposits increased 317 millions or 12 per cent.

Twenty-one State and provincial banks including See-handlung (In millions of reichsmarks)	May 31, 1928	June 30, 1928	Sept. 29, 1928	Nov. 30, 1928	March 31, 1929	May 31, 1929
Cash and amounts due from banks and bankers	444	563	557	618	647	432
Bills and treasury notes	476	442	413	460	408	442
Loans and advances, total	1,694	1,704	1,732	1,775	1,844	1,924
(a) on stock exchange securities	255	258	275	275	274	268
(b) other	1,439	1,446	1,457	1,500	1,570	1,656
Long-term loans	1,005	1,070	1,170	1,238	1,447	1,493
Deposits	2,698	2,735	2,762	2,912	3,067	3,015
Long-term liabilities	1,025	1,125	1,199	1,258	1,378	1,403

Seventeen Giro-Zentralen (In millions of reichsmarks)	May 31, 1928	June 30, 1928	Sept. 29, 1928	Nov. 30, 1928	March 31, 1929	May 31, 1929
Cash and amounts due from banks and bankers	561	521	373	463	630	379
Bills and treasury notes	168	184	157	153	244	179
Loans and advances, total	892	939	1,020	1,021	1,104	1,125
(a) on stock exchange securities	81	85	86	83	70	57
(b) other	811	854	934	988	1,084	1,028
Long-term loans	1,328	1,442	1,613	1,647	1,902	1,929
Deposits	1,812	1,814	1,759	1,853	2,157	1,903
Long-term liabilities	1,193	1,329	1,454	1,473	1,788	1,790

The volume of bills drawn in Germany month by month, as reflected in the returns of the stamp tax, has been thus far in about the same volume as a year ago. The following diagram and table are based on figures published by the Institut für Konjunkturforschung.



Although the volume of outstanding bills has shown relatively little change during recent months, considerable shifts have taken place in their distribution among the banks and the Reichsbank. During 1928 the bill portfolios of the banks increased rapidly, whereas the amount of bills rediscounted with the Reichsbank steadily declined. In the spring months of 1929, however, bill holdings of the Reichsbank increased largely, whereas those of the banks showed a marked decline.

The volume of Reich Treasury bills has largely increased since the middle of 1928, and during recent months has been at or near the legal maximum of 400 millions. Up to the spring of 1929, these bills remained fairly consistently in the hands of the banks and the public except over short periods at the month-end settlements. During April and May, however, a substantial part of the amounts outstanding has been under rediscount with the Reichsbank.

The need of the Reich for funds, which has already been referred to in the chapter on the budget, affected the open discount

market not only by increased offerings of Treasury bills, but in other ways as well. It will be recalled that the Reichsbank's relations with the open discount market have been intimate, and that heretofore it has given the market much support by means of purchases of bankers' acceptances carried out with funds derived from the Railway Company and the public and semi-public offices. The funds available for this purpose are now much reduced, partly because many of the public offices have become borrowers rather than lenders, but also because the Railway Company and others with surplus funds have been making loans directly to the Reich.

Latterly, the rate prevailing on the open discount market has been identical with the Reichsbank rate, although the market rate has generally been quoted below the Reichsbank rate. In view of the fact that the bills circulating in this market are rediscountable, the rate can scarcely rise above that of the Reichsbank.

3. New Capital Issues and the Security Markets.

The domestic market for new capital issues has been a central problem of German finance ever since stabilization. At almost all times the volume of loans overhanging the market has been greater than the market could absorb. During the last three years new issues in considerable variety have been offered in the domestic market in the nominal amount of about 4,300 millions each year; but the high rates of interest which the new issues carried and the nature of the terms favoring the purchaser, gave sufficient indication that the demand for credit was in excess of the funds available for investment.

Domestic capital issues (In millions of reichsmarks)	1907-1913 yearly average	1925	1926	1927	1928	1929 Jan. 1 to Apr. 30
German bonds:						
Reich, States, communes, etc.	1,172	15	654	698	456	131
Associations under public law	4	22	364	16	207	—
Real estate credit institutions, Giroverbände and related institutions:						
(a) communal bonds.....	116	38	465	349	489	154
(b) mortgage bonds.....	788	840	1,628	1,597	1,459	441
Private concerns	400	79	322	181	294	—
Total bonds.....	2,480	994	3,433	2,841	2,905	726
German shares	740	656	988	1,438	1,339	481
Total German securities..	3,220	1,650	4,421	4,279	4,244	1,207
Foreign securities	472	—	—	58	14	19
Grand totals....	3,692	1,650	4,421	4,337	4,258	1,226

The market as a whole has been subject to periodic interruptions, frequently lasting for several months. Such a period began with the month of February, 1929. During January, borrowers had taken advantage of the seasonal accumulation of funds and issues were made to a substantial amount. But in the succeeding months the market became very narrow. Altogether, during the first four months of 1929, total issues made in the domestic market were about 350 millions less than in the corresponding part of 1928. The yield to the investor was not only higher than in the previous year, but rose constantly throughout the period, reflecting the steady decline in the market prices for bonds then taking place.

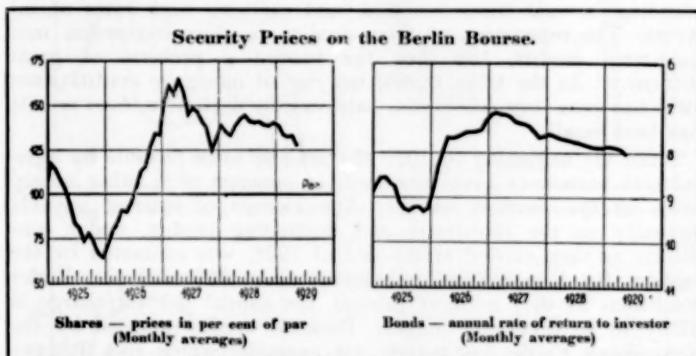
The foregoing table is made up from the latest figures published by the Reich Statistical Office, and carries the corrections which it has made in earlier statistics. Figures for bonds and similar obligations are given in the nominal amount of the new issues, but the figures for shares are shown at the paid-in amount, omitting new shares issued in connection with the consolidation of enterprises.

During the first four months of 1929, as the table shows, new issues mainly took the form of mortgage bonds offered by the real estate credit institutions. These obligations, known as Pfandbriefe, are secured by mortgages on real estate, including agricultural land, and are sold from time to time and at varying rates according to the market. The communal bonds offered by the real estate credit institutions, and the public issues made by the public authorities through banks or bankers' syndicates, made up the remainder of the bonds issued during the period. No offerings of bonds of private concerns were reported, but the volume of shares issued is noteworthy.

At the end of May the Finance Minister announced an issue of 5-15 year bonds of the Reich up to the nominal amount of 300 million reichsmarks. The terms of the issue were designed to attract a large subscription. The bonds were offered at 99, carried 7 per cent interest and were exempt from the property tax and from all taxes on income, including the tax collected by general assessment. Moreover, they were exempt from succession duties, provided they stood in the estate of an original holder. No part of the loan was subject to call for amortization or otherwise until January 1, 1934, and if not called by July 1, 1934, the loan was subject to call thereafter only for purposes of amortization, in ten yearly instalments ending on July 1, 1944. The tax exemptions were such as to add several points to the annual yield, if held by wealthy persons. The loan, however, was not a success, and notwithstanding an extension of the subscription period, the final total of subscriptions was reported to be about 180 million reichsmarks, some 120 millions less than the offering.

The markets for outstanding securities have fully reflected the changes in the credit situation as a whole. The tendency of bond prices on the Berlin Bourse has been moderately downward. The average return on 8 per cent bonds issued by mortgage banks, at prices prevailing in May, 1928, was 8.22; in January, 1929, was

8.28; and in May 8.47 per cent. Share prices declined during the early months of 1929. The average return on shares listed on the Berlin Bourse at prices prevailing on May 31, 1928, was 4.70; on December 31, 1928, was 4.99; and on May 31, 1929, was 5.39 per cent.



4. Agricultural Credit.

The special credit difficulties confronting German agriculture have been discussed at length in previous Reports. Although the indebtedness of agriculture is estimated to be smaller in volume than before the war, the interest burden is larger and in addition taxes and social charges have risen. Here it is necessary only to indicate briefly the changes which have taken place in recent months, as they are revealed in the available statistics. In the main they consist of a further growth in the volume of agricultural indebtedness and an increase in the interest rates charged.

Agricultural credit outstanding (in millions of reichsmarks)	Dec. 31, 1925	Dec. 31, 1926	Dec. 31, 1927	March 31, 1928	Dec. 31, 1928	March 31, 1929
Mortgage credits	1,011	2,049	2,816	3,076	3,607	3,773
Intermediate credits . . .	26	71	252	279	293	278
Short-term credits	2,158	1,893	2,082	2,121	2,035	2,070
Totals	3,195	4,013	5,150	5,476	5,935	6,121

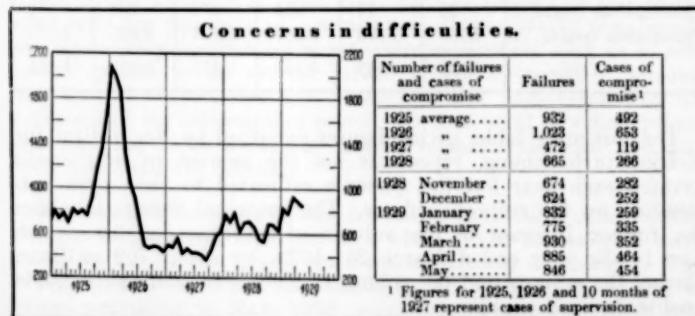
The foregoing table, giving figures compiled by the Institut für Konjunkturforschung, represents not the amount of new credit granted each year but the amounts estimated to have been outstanding on the respective dates. The principal change has been the further increase in the volume of mortgage credits, which rose in the year ended March 31, 1929, by about 700 millions. During the same period the volume of short-term and intermediate credits declined slightly.

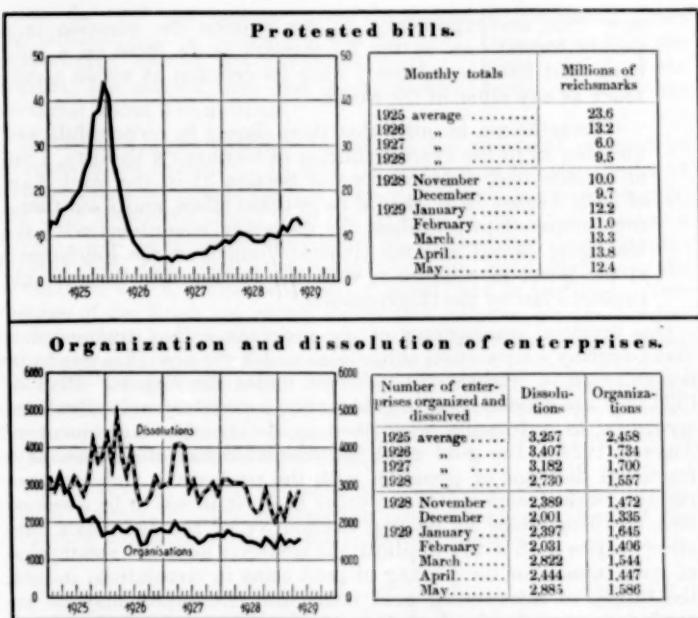
The short-time credits shown in the table are in addition to a volume of so-called fluctuating credits estimated by the Institut at about 1,800 millions, which represent for the most part the debts incurred by agriculture for the purchase of current supplies. The so-called short-time credits are frequently credits of long standing, several times renewed, and carrying high rates of interest. The repayment of these credits, or their conversion into long-term credits, has thus far proved a problem of great difficulty. As the table shows, the rise of mortgage credits since 1925 has been very substantial, whereas the decline in short credits has been small.

Since the beginning of 1929 the interest rates payable by agricultural borrowers have increased, in common with other money rates on the German market. The amount of interest payable annually on the short-term and fluctuating credits, under conditions as they existed at the end of 1928, was estimated by the Institut für Konjunkturforschung at about 400 millions. Under conditions as they exist at present, the annual interest charge is likely to be somewhat higher. Personal credits granted by the Rentenbank Credit Institution, for example, which cost 9 $\frac{1}{4}$ per cent in 1928 and were lowered to 8 $\frac{1}{4}$ per cent on January 12, 1929, were raised on April 25th to 9 $\frac{3}{4}$ per cent. Other aspects of the agricultural situation, particularly as regards the size of last year's crop and the low level of prices for farm products, are discussed in the chapters on foreign trade and German business conditions.

5. Business Difficulties.

A considerable increase has taken place since the beginning of 1929 in the number of business concerns in difficulties. Business failures during the first five months of the year were about 20 per cent more numerous than in the corresponding part of 1928, and cases of compromise arranged under the procedure instituted on October 1, 1927, have also increased in number. There has also been a rise in the nominal amount of protested bills, as shown in the figures supplied by the Institut für Konjunkturforschung. These figures, it should be explained, do not represent totals but they give a fair sample of the prevailing tendency.





e. The German Currency.

During the last six months, as in the entire period since the Experts' Plan went into effect, the German currency has satisfied all the practical requirements of the gold standard. The position of the reichsmark in the foreign exchanges has at times varied widely, as has been seen in a previous section of this chapter, but its variations have been within the limits set by the gold standard. The internal value of the German currency, as reflected in the level of commodity prices, has on the whole been stable, and latterly it has shown some tendency to rise, as indicated by the decline in the general index of prices.

The reichsmark still remains, however, a *de facto* gold currency and not a currency legally convertible into gold. It will be recalled that Section 31 of the Bank law of August 30, 1924, fixed the obligation of the Reichsbank to redeem its notes in gold or devisen, but the date at which this obligation was to come into force was left to the decision of the General Council and the Managing Board of the Reichsbank. The taking of this decision has been postponed up to the present, but the President of the Reichsbank has recently expressed the opinion that Section 31 of the Bank law should be put into effect, in accordance with the following letter dated June 6, 1929, which he addressed to the Chairman of the Committee of Experts:

"I understand that certain of the creditor groups have raised the question as to the interpretation to be given to the word 'Reichsmarks', in which the obligations of Germany under the

new Plan are expressed. In my opinion the question is a purely formal one, as the Reichsmark is *de facto* on a gold basis, and has proved itself since its creation as stable a currency as any other in the world.

“Nevertheless, in order that there should be no possibility of question as to the exact definition of Germany’s liability, I am of opinion that the provisions of Section 31 of the Bank Law of 30th August 1924, should be put into effect, and I am therefore prepared to introduce the necessary resolutions with the Managing Board and the General Council of the Reichsbank at the latest in connection with the putting into force of the present Plan by the Governments.”

One practical consequence of the programme thus announced is that Germany’s reparation obligations under the new Plan are to be denominated in reichsmarks, whereas under the Experts’ Plan of 1924 they are denominated in gold marks, a monetary unit calculated according to a formula prescribed in the London Agreement of August, 1924. The gold mark so calculated has often been at a fractional discount or premium with the reichsmark and has been rarely identical with it. On the other hand, it is not to be assumed that the programme of putting Section 31 of the Bank law into effect carries with it any implications whatever as to the resumption of gold coinage or the placing of gold coins in circulation; indeed, the utility of introducing gold coins into circulation may be regarded as exceedingly doubtful, whether viewed from the standpoint of present conditions in the world gold market or from the standpoint of the internal requirements of Germany.



The total volume of the German currency in circulation has increased from year to year, as illustrated in the foregoing diagram. In part this growth has reflected the rise in German business activity, and in part the gradual satisfaction of the acute demand for hand-to-hand currency which existed at the time of stabilization and for many months thereafter. Latterly the margin by which the average circulation of one year has exceeded the average of the preceding year has tended to narrow. In 1926, for example, the average increase in the circulation over 1925 was about 450 mil-

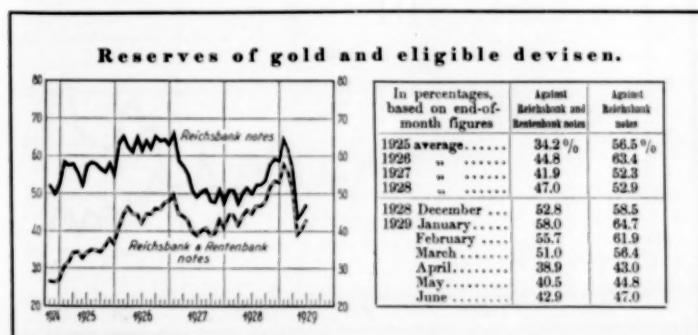
lions; in 1927 the increase over the preceding year was about 550 millions, and in 1928 about 400 millions. Thus far in 1929 the year-to-year spread has narrowed further; during the first six months, the margin over the corresponding period of 1928 has averaged about 170 millions.

Reichsbank notes continue to furnish the principal element of increase in the currency. In fact, the increase in the circulation of Reichsbank notes during the last year as well as in previous periods, has been somewhat larger than the increase in the circulation as a whole. The progressive retirement of Rentenbank notes in conformity with legal requirements has, of course, left a vacuum in the circulation which, other things being equal, had to be filled. New coinage of the Reich has partly served this purpose, but the Reichsbank has been called upon to supply the difference, as well as the year-to-year increase in the circulation as a whole. Since November, 1927, the annual retirement of Rentenbank notes has been reduced in accordance with the provisions of the law, to moderate proportions, and the additional amount of Reichsbank notes required in replacement has declined accordingly.

Up to May 31, 1929, in conformity with the provisions of the law of August 30, 1924, Rentenbank notes have been retired in the following amounts and from the following sources:

	(in millions of reichsmarks)
Interest on the general mortgage on agricultural land	279
Payments by the Reich	270
Share of the Reich in Reichsbank earnings	83
Repayment of agricultural bills	880
 Total	 1,512

In addition, Rentenbank notes to the amount of about 70 millions have been placed under earmark at the Reichsbank. At the end of May, 1929, the amount of Rentenbank notes in the hands of the public was about 491 millions, representing less than 8 per cent of the total circulation.



The legal ratio of gold and eligible devisen held by the Reichsbank against its notes in circulation rose during most of 1928, the result of large imports of gold during that year, which more than offset the influence exerted by the rising volume of the circulation. On January 31, 1929, the ratio stood at 64.7 per cent, the highest figure for the end of any month since January, 1927. On April 30, 1929, in consequence of the large outflow of gold and devisen which took place in the intervening months, the reserve ratio stood at 43 per cent, and on May 7th it fell to 41 per cent, the lowest since stabilization. By the end of May the ratio had risen to 44.8 per cent, and by the end of June somewhat further, to 47 per cent.

VII. Germany's Foreign Trade.

The tendencies determining the German merchandise trade balance, which were described at length in the last Report, have continued to operate during the past seven months. In general, the reported total value of exported goods has continued to rise, thereby carrying further the movement which has been in process since stabilization. The reported total value of imports remains, as it stood last autumn, somewhat below the high level prevailing a year ago. The margin between the two, constituting the merchandise trade balance, has been narrow, though for the six months ended with April, 1929, it reflected consistently an excess of imports. In May, for the first time since last autumn, the trade balance was moderately favorable to Germany. For the seven months ended with May, taken as a whole, the surplus of imports amounted to 444 million reichsmarks, as against 1,759 millions in the corresponding period of 1927-1928.

German foreign trade has thus been more nearly in balance in recent months. The gradual rise in the volume of exports is a matter of primary importance because the approach to a favorable balance is more promising through larger exports than through reduced imports. Germany depends upon the rest of the world for a large part of the raw materials essential to her industries, and she also looks to foreign markets for a considerable portion of her foodstuffs. Accordingly, a marked reduction of the volume of imports over any extended period is scarcely to be anticipated. During the last seven months the volume of imports has had an average value of nearly 1,150 million reichsmarks a month, only slightly below the average for the years 1927 and 1928. The great reduction in the adverse balance of trade with imports maintained at this average level is perhaps the most important trade development in Germany during this period.



The foregoing diagram, as well as the table printed below, gives the foreign trade figures as they now stand according to the official statements of the Reich Statistical Office. For the month of October, 1928, the figures now shown differ materially from those provisionally printed in the last Report. On October 1, 1928, it will be recalled, a new law went into effect which was designed to eliminate certain known sources of error arising from the methods of assembling statistics previously employed. The months of October and November, 1928, were in the period of transition from the old to the new procedure, and the figures first reported were later revised by the Reich Statistical Office, with the result that the unfavorable balance first reported for these two months together was much reduced. The revised figures are given in the diagram and table, which also take into account certain minor corrections made from time to time by the Statistical Office.

German foreign trade, by months (In millions of reichsmarks)	Imports	Exports		Excess of imports	
		without deliveries in kind	with deliveries in kind	without deliveries in kind	with deliveries in kind
1925 average	1,030	733	776	297	254
1926 "	833	815	868	18	+ 35 ¹
1927 "	1,186	852	900	334	286
1928 "	1,171	970	1,025	201	146
1928 May	1,087	894	944	193	143
June	1,108	890	934	218	174
July	1,184	914	971	270	213
August	1,085	1,025	1,079	60	6
September	1,088	1,058	1,120	30	+ 32 ¹
October ²	1,162	1,125	1,186	37	+ 24 ¹
November ³	1,174	1,010	1,068	164	106
December	1,103	978	1,030	125	73
1929 January	1,318	1,036	1,105	282	213
February	1,017	921	973	96	44
March	1,022	931	984	91	38
April	1,255	1,164	1,231	91	24
May	1,122	1,098	1,176	24	+ 54 ¹

¹ Excess of exports.

² Figures revised, as explained above.

The figures given in the foregoing table are the official figures of the Reich Statistical Office, and for the period up to November, 1928, do not take account of the inaccuracies which the new procedure was designed to eliminate. The Statistical Office has published, however, as a matter of information, adjusted figures for the earlier period which attempt to make allowances for those inaccuracies. The figures for imports have been reduced by 5 per cent for the year 1925 and by 3 per cent for the years 1926, 1927, and up to November, 1928; and the figures for exports, without deliveries in kind, have been increased by 1½ per cent for the whole period. The following

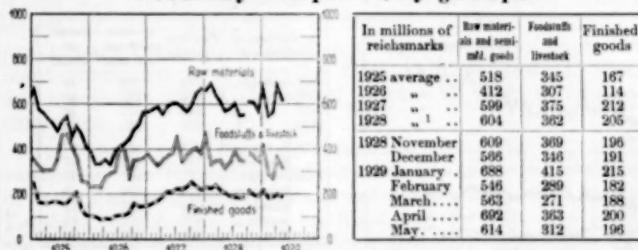
table is made up from these adjusted figures. Deliveries in kind have been added to the adjusted figures for exports.

Adjusted figures for German foreign trade (In millions of reichsmarks)	Exports (including deliveries in kind)	Imports	— Excess of imports + Excess of exports
1925-26, June to May.....	10,081	10,020	+ 61
1926-27, June to May.....	10,540	11,727	— 1,187
1927-28, June to May.....	11,655	14,235	— 2,580
1928-29, June to May.....	12,933	13,469	— 536

a. Analysis of Imports.

The value of total imports during the last seven months has been 8,011 million reichsmarks, as against 8,646 millions in the corresponding period of 1927-1928. Ever since the latter part of 1925 the value of goods and materials imported into Germany has been a fair index of German business activity as a whole. The small imports in the winter of 1925-26 coincided with the rationalization crisis; the rising volume of imports in 1926, which continued until the end of 1927, coincided with a period of business expansion in which the free use of credit played an important part; and the decline in the first part of 1928 coincided with a recession from that expansion. From the middle of 1928 until the present the volume of imports has remained high, though somewhat lower than during the preceding period of expansion. The dominant reason for this correspondence between the volume of imports and German business activity is that substantially half of all German imports is composed of raw materials and semi-manufactured products, the volume of which responds to the varying needs of industry. During the seven months ended with May, 1929, imports of raw materials and semi-manufactured products had a value of 4,278 million reichsmarks, as against 4,491 million reichsmarks in the corresponding months of 1927-28, a decline of 5 per cent.

Germany's imports, by groups.



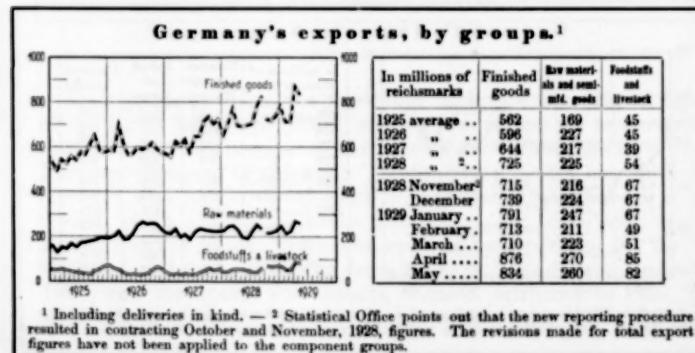
¹ Statistical Office points out that the new reporting procedure resulted in expanding October, 1928, figures. The revisions made for total imports have not been applied to the component groups.

The value of imported foodstuffs, which form the second group in size among the imports, has somewhat declined during the past seven months, as compared with the fairly steady average which had been maintained ever since the middle of 1926. This decline is due largely to the good harvest of 1928, which reduced the demand for foreign foodstuffs, and also to the lower prices at which foreign grains could be obtained in the world markets. The value of imported bread cereals, flour and feed grains during the seven months' period ended with May, 1929, declined by 36 per cent as compared with the same period a year ago. Imports of dairy products, of fruits and of coffee, on the other hand, were larger than a year ago.

The reported values of monthly imports, it will be noted, have been subject to considerable fluctuations during the past seven months. The sudden increase in the volume of imports shown for January, 1929, however, was due to the usual inclusion with the imports for that month of certain staple commodities which had already passed into fabrication or consumption in the course of the preceding six months, but which only then were declared for customs purposes. The small volume of imports, on the other hand, reported for February and March was due in considerable measure to the exceptionally cold weather which prevailed last winter, and which for a time completely closed certain seaports and curtailed shipping in others.

b. Analysis of Exports.

The growth of German exports has been well-maintained during the whole period since stabilization, and it has continued, with some fluctuations, during the past seven months. In February and March the export returns showed the restricting effects of the severe winter, but in the two succeeding months there was a marked increase in exports to the highest level yet attained. In part this increase represented the shipment of goods which had been accumulating at German seaports during the time when they were wholly or partially ice-bound. In part, also, the larger exports reflected the demand for foreign funds at a time when foreign credit was difficult and expensive to obtain.



By far the largest group of German exports is that which comprises finished goods. During the seven months ended with May, 1929, the value of exports of this category amounted to 5,378 millions as against 4,940 millions in the corresponding months of 1927-1928, an increase of 9 per cent. The increase for the most part represented larger shipments of machinery, electrical equipment and metal products, whereas shipments of textiles declined.

The value of exported raw materials has changed comparatively little on the whole. During the winter there was a substantial decline in exports of coal, owing largely to the difficulties of transport; but in the spring a considerable increase took place. The relatively large increase in the shipments of foodstuffs, which rose by about 33 per cent as compared with a year ago, was due principally to the improved harvest of last year. In the main, however, foodstuff exports play a small part in German foreign trade.

Deliveries in kind on reparation account, which the Statistical Office includes in all the export figures given above, have somewhat increased during the past seven months. Deliveries of finished products have increased considerably, reflecting larger shipments of machinery, iron and steel products, electrical supplies and equipment, chemicals and paper; on the other hand, deliveries of raw materials and semi-manufactured products have been in about the same volume as a year ago. During the last seven months, the total value of deliveries in kind, according to the Statistical Office figures, has averaged 61 million reichsmarks a month, or nearly 6 per cent of the average monthly total of German exports. A more extensive analysis of delivery in kind transactions appears in a previous chapter of this Report.

e. Tariffs and Commercial Treaties.

Several commercial treaties between Germany and other countries, which were described in the last Report and were then awaiting final action, have now been ratified and gone into effect. The protocol dated June 20, 1928, to the treaty with France of August 17, 1927, came into force on May 10, 1929. The agreement of October 19, 1928, supplementing the treaty with Jugo-Slavia of October 6, 1927, came into effect on June 15, 1929. The treaty of commerce and navigation with the Union of South Africa, which was signed on September 1, 1928, has been ratified and letters of ratification were exchanged on June 11, 1929. The preliminary commercial treaty with the National Chinese Government, concluded on August 17, 1928, and the treaty of commerce and navigation with Lithuania of October 30, 1928, have also come into effect.

The treaty with Panama, signed on November 21, 1927, was ratified by the Reichstag on December 24, 1928, but the exchange of letters of ratification has not yet taken place. The treaty with Estonia, which was signed on November 7, 1928, was ratified by the Reichstag on June 27, 1929, but letters of ratification have not yet been exchanged.

The financial agreement with Rumania, signed on November 10, 1928, was ratified by the Reichstag on February 8, 1929, and came into effect on that date.

New treaties or supplementary agreements to existing treaties have been concluded as follows:

A supplementary agreement to the commercial treaty with Switzerland, dated July 14, 1926, was signed on April 23, 1929, and was ratified by the Reichstag on June 30th, but letters of ratification have not yet been exchanged. Both Switzerland and Germany made concessions with respect to customs duties on limited lists of manufactured articles.

A treaty with France dealing with small traffic at the frontier was signed on April 25, 1929. This treaty, which was the result of protracted negotiations, does away with certain difficulties previously existing in connection with passenger and goods traffic on the Franco-German frontier.

A treaty with Persia was signed on February 17, 1929. It replaces the treaty which the Persian Government denounced in 1927, in common with other treaties containing provisions relating to the capitulations. The German Government acknowledged the right of the Persian Government to repudiate the capitulations and negotiated on a basis of equality. The new treaty, which applies for five years, gives most-favored-nation treatment to the nationals of both countries with respect to domicile, occupation and customs duties.

A protocol was signed with Russia on December 21, 1928, in which the two governments agreed to begin negotiations in the first half of 1929 for the conclusion of a customs agreement.

Negotiations looking toward the conclusion of commercial treaties with Austria, Czechoslovakia and Hungary either have not been resumed or have so far failed to attain definite results. Negotiations with Poland, which have been conducted intermittently for several years, are now reported to be entering upon an advanced stage.

The treaty of May 14, 1926, with Sweden, to which a supplementary agreement was signed on December 11, 1928, was denounced by the German Government in June, 1929, to take effect as of February 15, 1930.

Important changes in customs tariffs on agricultural products have been made in the period covered by this Report. In December, 1928, the duty on sugar was increased from 15 to 25 reichsmarks per 100 kilograms. In June numerous proposals for revisions were under consideration in the Reichstag. The Reichstag committee on commercial policy decided to abolish the so-called intermediate duties on bread cereals and oats. The decision of this committee requires no further action by the Reichstag. The effect of this is to bring into force, for all countries with most-favored-nation treaties, the somewhat higher duties of the treaty with Sweden, and after February 15, 1930, as of which date the treaty with Sweden has been denounced, the still higher duties of the autonomous tariff will become effective, unless in the meantime other measures are

taken. Laws have also been passed obliging millers to use a certain percentage of domestic wheat, and authorizing the Government to conclude a supplementary agreement with France regarding duties on flour, since the intermediate duty on flour has likewise been abolished by the Reichstag committee on commercial policy. Other laws recently passed increase the duty on potatoes slightly and the duty on butter from 30 to 50 reichsmarks per 100 kilograms. Resolutions adopted by the Reichstag request the Government to adjust the duties on other dairy products to the new duty on butter, and to negotiate with Denmark for the discontinuance of cattle imports during the summer months, pending a decision as to the duties on meat and animals.

VIII. German Business Conditions.

A year ago German business activity was in course of reaction from the process of expansion, stimulated by the free use of credit, which characterized the year 1927. Six months ago, the available figures for production and consumption in Germany showed that up to September or October, 1928, there had been no further substantial decline in business, but that it had tended to level off on a fairly high plane of activity. In short, the expansionary tendency of the previous year had been checked before it assumed dangerous proportions, and the reaction from it had merely brought a return to conditions previously obtaining.

During the late autumn and winter of 1928-29, however, influences intervened which set in motion again the processes of business recession. The financial and other forces then operating have already been discussed in the chapter on credit. Here it is necessary to mention two factors only. The first of these was the lock-out in the Rhenish-Westphalian iron and steel industry, which reduced the German iron and steel production for November to a fraction of its usual volume, and affected, though much more moderately, the production for December. Its influence, however, was not limited to the mills directly concerned, but extended into related branches of industry and trade.

The second factor, of far greater importance, was the extraordinary severity of the winter. From December until March low temperatures prevailed, and in February the average temperature for the month was the lowest since the official records were established in Berlin over 200 years ago. The effect on business activity of almost every sort was all the more pronounced because German methods of handling goods and materials in fabrication and transport are not adapted to extreme temperatures over prolonged periods. Outdoor work of many kinds had to be postponed or abandoned during the weeks of extreme cold, and the cold weather lasted so long and was so severe that a considerable amount of indoor work dependent upon the steady supply of material and the regular distribution of goods was also interrupted. The direct consequences were quickly reflected in the figures for production and distribution and especially in the rapid rise of unemployment, as will appear in later sections of this chapter.

The reaction from these conditions was as pronounced as the conditions themselves. Beginning in March and continuing through April and May, activity increased in many of the most important lines of production and trade, but the lack of official information regarding conditions in other branches of trade and industry makes it difficult to generalize. In many industries, it appears, the higher volume of business in the later months has substantially compensated for the shortage in the earlier months. In the production of steel, for example, the output for the first five months of 1929 was fully equal to that during any comparable period since stabilization. Other industries, however, still appear to be slack and the number

of concerns in difficulties increased considerably in the winter months. The general level of unemployment, though still high, is much reduced, and railway traffic, which reflects the movement of goods, is now higher than at any previous corresponding season. Whether the change in the complexion of business since March represents merely a filling of the vacuum caused during the winter, or whether it means a resumption of large and steady business, it is impossible at this stage to determine.

The position of agriculture remains difficult. The indebtedness of agriculture, though smaller than before the war, involves a heavier interest burden and in recent months both indebtedness and the rates of interest charged have risen further. The 1928 crop was the largest since the war, but the world-wide decline in the prices of important agricultural products has reduced the benefit to the producers which the size of the crops promised.

For purposes of condensation, the figures descriptive of the various departments of business activity given in the following sections, are largely left to speak for themselves. Comparisons over a term of years will be sufficiently clear from the diagrams; the figures given carry further the tables printed in previous Reports. In all cases, figures are derived from official sources, mainly from the Reich Statistical Office or its associated organization, the Institut für Konjunkturforschung. Comment is restricted to matters not directly apparent from the diagrams and tables.

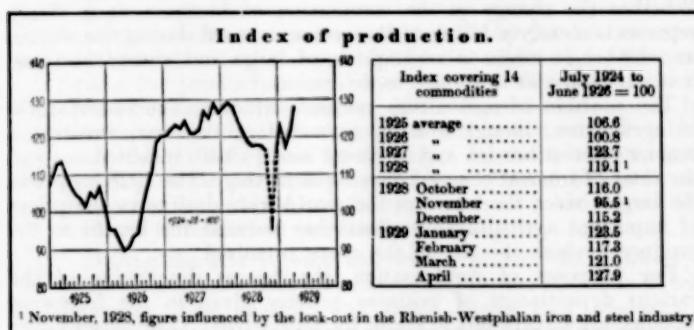
a. Volume of Industrial Production.

It will be recalled that during the first six months or so of 1928 a decline in the physical volume of production had manifested itself in Germany. In the winter months of 1928-1929, owing to conditions already outlined, this decline was carried further, and affected numerous branches of industry. More recently the main trend seems again to be upward, though the picture is by no means consistent. Some industries report a volume of production equal to or exceeding that of previous years, whereas in others production remains relatively low. On the whole, and without reference to individual industries, the rise since the first of the year appears to have been sufficient to restore the position to about the same point as at the corresponding period of 1928.

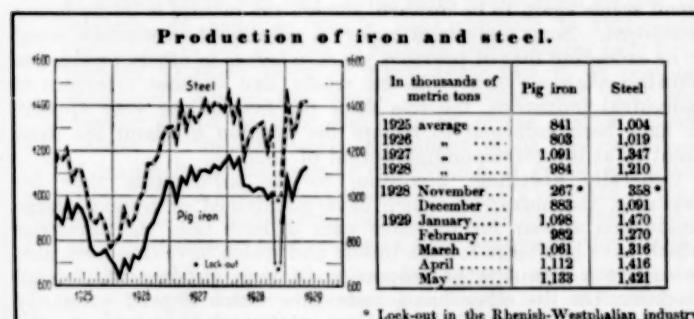
Generally speaking, according to the information thus far available, the industries which have maintained or resumed large production appear for the most part to have been the industries which have had large foreign orders and which have thus been able to export a considerable proportion of their products to foreign markets. On the other hand, industries which depend primarily on domestic markets have only recently taken a turn in the direction of larger output, and in some individual cases limited production still obtains. In the former group are the metals, machinery, coal, chemical, potash and paper industries, whereas in the second group are the textile, leather goods, food products and building material industries.

The following diagram and table show the general index of industrial production compiled by the Institut für Konjunkturforschung. Though the broadest authoritative index of production

available in Germany, it covers only fourteen commodities and is much influenced by fluctuations in the iron and steel and textile industries.



During the month of November and the first few days of December, 1928, a labor dispute in the Rhenish-Westphalian steel and iron plants resulted in a lock-out which reduced the total output of those products to a fraction of its regular size. With the resumption of work a very marked increase in production took place, which must doubtless be regarded, in part, as compensating for the short production of November. During the first five months of 1929 steel production exceeded by 4 per cent the high figures reached during the corresponding part of 1928. Pig-iron production remained about 3 per cent below the level of the year before.

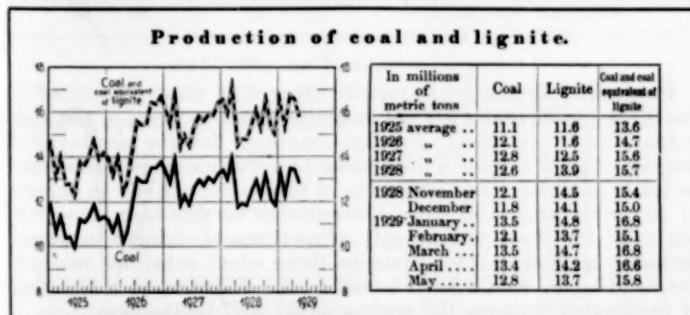


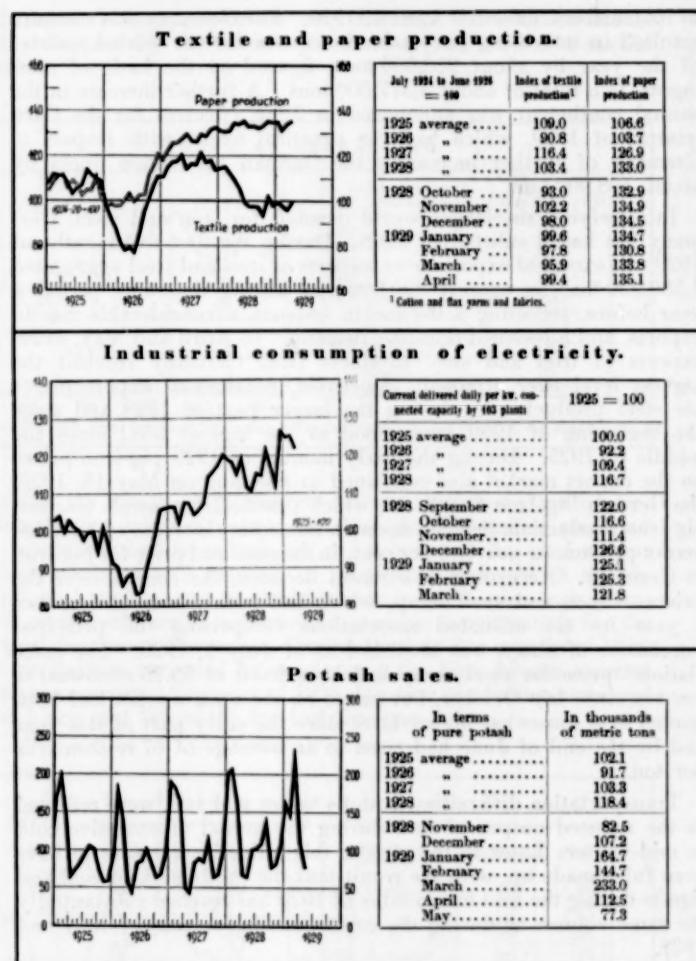
The high production maintained by the German steel mills since the first of the year has been entirely in response to a larger demand from abroad, as sales in domestic markets have shown a declining tendency. The increase in the world demand for iron and steel induced the International Steel Syndicate to raise by about 7 per cent the annual total contingent of steel production allowed

to its members, effective April 1, 1929. For Germany this measure resulted in increasing its production quota for the second quarter of the year by about 216,000 tons, figured on the basis of steel ingots, to a total of about 3,377,000 tons. A further increase in the annual contingent was announced in June, effective for the third quarter of 1929, which had the practical result with respect to Germany of further increasing the German production quota by about 108,000 tons.

In satisfying the larger world demand for iron and steel, Germany has had a substantial share. During the first five months of 1929, the excess of exports over imports of iron and steel aggregated 1,580,000 tons as against 820,000 tons during the same period a year before, reflecting a decline in imports, a considerable rise in exports, and a lessened domestic demand. In April and May, 1929, exports of iron and steel products from Germany reached the highest level ever attained. Moreover, continental export prices for steel products rose during the larger part of 1928 and since the beginning of 1929 have stood at the highest level since the middle of 1925. During the early months of 1929 pig-iron prices on the export market also continued to rise, and on May 15, 1929, the German Pig-Iron Syndicate, which practically controls German pig-iron production, decided upon an immediate increase of 3 reichsmarks per ton, or nearly 4 per cent, in the standard price for pig-iron in Germany. According to a recent decision, the control over the prices of iron and steel scrap, which had been exercised for over a year by the affiliated associations comprising the principal purchasers of scrap, was abolished as of July 1, 1929. The associations' price for steel scrap had been fixed at 55.75 reichsmarks per ton since last October, but prices on the open market had been quoted at a somewhat higher level since the early part of this year and by the end of June had risen to an average of 67 reichsmarks per ton.

Transportation difficulties, both by water and rail, were reflected in the reduced output of coal during the period of excessive cold in mid-winter. Later in the season, this reduction appears to have been fully made up, with the result that the production of coal and lignite during the first five months of 1929 has reached substantially the same volume as during the corresponding periods of 1927 and 1928.

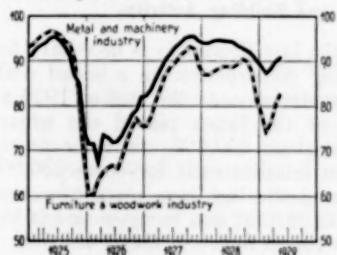




Production figures for industries other than those illustrated in the foregoing diagrams are not available either in terms of physical volume or in the form of index numbers; but the employment returns which the trade unions make to the Ministry of Labor may be taken as giving a fair indication of productive activity in default of any other numerical data. Comparisons on this basis, however, are valid for short periods only. Fundamental changes in manufacturing methods, as, for example, those which substitute machine for hand-labor, would be reflected in the diagrams as a lowering of production, whereas the reverse might well be the case.

The following diagrams and tables largely speak for themselves. It is worth noting, however, that the marked decline in activity in the foodstuffs industry was mainly attributable to smaller activity in the tobacco factories, the products of which are classified in this category; and that the abrupt fall over the turn of the year in the activity of the pottery, glass and porcelain industry was due mainly to lessened employment in the production of heavy pipes and tiles, in part for seasonal reasons.

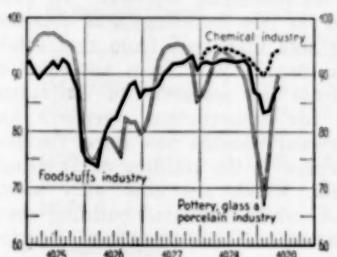
Activity in metal and machinery and woodwork industries.



	Metal and machinery industry	Furniture and woodwork industry
1925 average	90.6	91.5
1926 "	74.1	68.1
1927 "	90.8	86.7
1928 "	93.4	88.0
1928 November ..	91.5	87.9
December ..	90.0	81.5
1929 January ..	88.9	78.4
February ..	87.4	74.1
March ..	88.4	76.2
April	89.9	80.2
May	90.9	82.7

¹ Including part-time work in terms of full time.

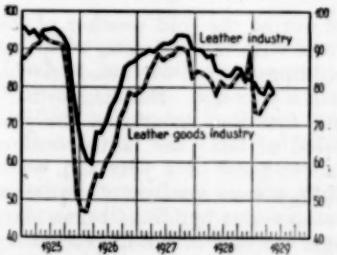
Activity in ceramic, chemical and foodstuffs industries.



	Pottery, glass and porcelain industry	Chemical industry	Foodstuffs industry
1925 average ..	94.3	—	89.5
1926 " ..	78.2	—	81.4
1927 " ..	90.6	—	90.2
1928 " ..	89.7	93.6	91.7
1928 November ..	85.4	92.6	91.4
December ..	78.5	91.5	86.8
1929 January ..	74.8	90.6	86.3
February ..	67.4	89.6	83.3
March ..	75.5	91.1	83.7
April	85.8	93.7	86.5
May	89.9	94.2	87.9

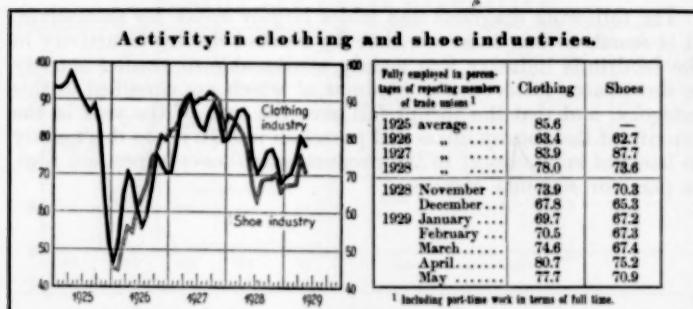
¹ Including part-time work in terms of full time.

Activity in leather industry.



	Leather industry	Leather goods industry
1925 average	91.0	85.1
1926 "	73.3	62.3
1927 "	91.1	86.1
1928 "	85.5	82.3
1928 November ..	82.3	81.8
December ..	82.1	88.1
1929 January ..	81.2	73.5
February ..	78.7	72.7
March ..	78.1	74.9
April	81.6	77.4
May	78.9	78.6

¹ Including part-time work in terms of full time.

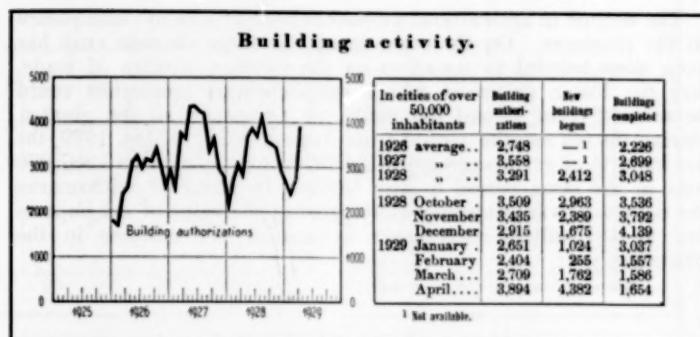


b. Housing Conditions and Building Activity.

As was explained at length in the last Report, it is necessary for Germany to proceed with dwelling construction on a broad scale if the housing shortage is to be overcome. At the end of 1926 an estimate of the Labor Ministry of the Reich placed the urgent requirements for new dwellings at about 600,000, while the yearly increase in the number of German families calls for some 220,000 new dwellings in addition. During the last two years new construction has been sufficient to take care of this increase and it has also reduced the net shortage to a round figure of about 450,000.

The German public authorities have endeavored to promote dwelling construction through the use of public funds and the public credit, along the lines described in preceding Reports. In 1928 about a quarter of the funds used for new buildings was obtained from the tax on rents, something less than half from real estate credit institutions, and the remainder in part from subsidies of public authorities and in part from the resources of individual contractors. The cost of funds for construction purposes has been consistently high, and in recent months has risen further. Another hindrance to private enterprise in the building of dwellings is the public regulation of rents, which are now only about 26 per cent above the pre-war level while estimated building costs are about 75 per cent above pre-war costs. These costs have changed but little during the past year; there has been a slight decline in building material prices, but a rise has taken place in the wages of workers in the building trades.

Building activity was restricted during the cold weather of last winter, but there was a rapid increase with the beginning of spring, and in April the number of new buildings started was nearly double the number begun in the same month a year ago. Building authorizations in leading cities during the first four months of the year were larger than in the same period of last year; authorizations for dwellings were considerably above those of a year ago, while those for public and industrial buildings were smaller. Comparison of the excess of building authorizations over buildings begun since the first of the year indicates a larger increase in buildings awaiting construction than in the same period last year.



c. Agricultural Yield.

The final estimates for the 1928 harvest in Germany, as published by the Reich Statistical Office, show an appreciably higher yield than appeared from the provisional figures printed in the last Report. The harvest as a whole was the highest since the war, and in the case of wheat, spring barley and potatoes exceeded the average of the 1911-1913 crops within the present frontiers.

Crop Yields (In thousands of metric tons)	Wheat (winter and spring)	Rye (winter and spring)	Barley (winter and spring)	Oats	Potatoes	Sugar beets
1911-1913 average ¹	3,765	9,585	—	7,680	37,962	13,986 ²
1924	2,428	5,730	2,400	5,654	36,402	10,267
1925	3,217	8,063	2,599	5,585	41,718	10,326
1926	2,597	6,406	2,463	6,325	30,031	10,495
1927	3,280	6,834	2,738	6,347	37,550	10,854
1928	3,854	8,522	3,347	6,996	41,269	11,011

¹ Present frontiers.

² Figures for 1914.

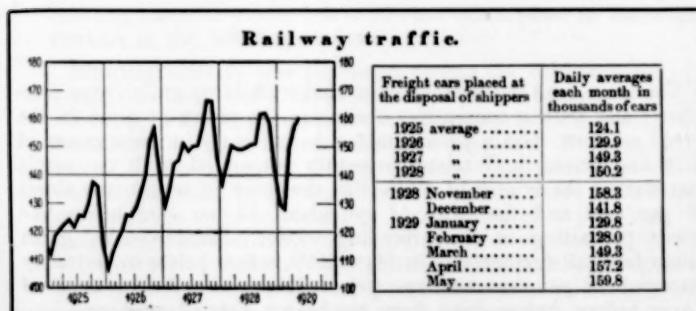
The large crop in Germany coincided with large grain crops elsewhere, and with a consequent decline in the prices of grain in the world markets. Grain prices started to fall early in the summer of 1928 and prices in Germany promptly responded, with the result that during the winter of 1928-1929 the price of wheat was about 10 per cent and the price of rye about 14 per cent below the prices prevailing in the preceding winter. Subsequently, grain prices fell still further, and in May, 1929, wheat prices in Germany averaged 18 per cent and rye prices 31 per cent below those of a year before; but in June there has been a rising tendency.

The decline in agricultural prices has been of serious consequence to the producer. On the other hand, the large German crop has been most helpful in its effect on the German balance of trade, and the lower prices at which supplementary quantities could be secured from abroad has made the advantage all the greater. During the ten months' period from August, 1928, to May, 1929, the net imports of grain aggregated 2,419,000 tons as against 3,887,000 tons in the same period a year before. In terms of reichsmarks the reduction was proportionately greater; the value of net imports fell to 481 million reichsmarks as against 896 millions in the preceding year.

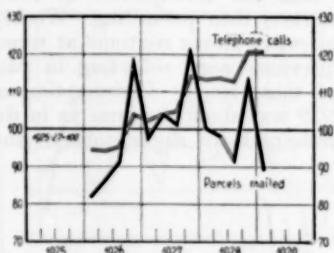
d. Domestic Trade and Consumption.

The effect on business of the unprecedented cold weather of last winter is to be clearly seen in the figures dealing with trade and consumption. Figures which relate to the first quarter of 1929 mostly show movements of goods smaller than a year before. On the other hand, most of the figures which relate to a period later than the first quarter of 1929 show movements larger than a year before. No doubt the larger trade during the spring months of 1929 was partly due to a reaction from the shrinkage of the winter. In the figures for recent weeks a stronger tendency is discernible than can be explained on that ground alone, but it is still too early to draw any general conclusions.

The accompanying diagrams and tables summarize such information as is available with regard to current changes in the volume of trade. It will be observed that the usual mid-winter decline in the volume of railway traffic, as measured by the number of cars placed daily at the disposal of shippers, was both sharper and more prolonged than usual. In February, 1929, it reached the lowest point in more than two years. Thereafter there was a prompt recovery which ultimately brought the volume of spring traffic to a level higher than any since the war. Total loadings for the first five months of 1929 were practically the same as in the corresponding period last year.



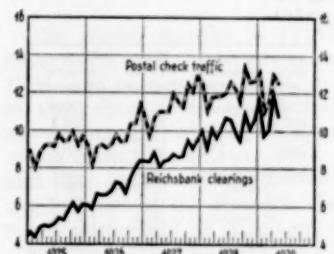
Postal traffic.



Average number for 1925-27 = 100	Parcels mailed	Telephone calls
1925 average	99.8	96.8
1926	94.3	96.9
1927	105.9	106.3
1928	100.7	115.1
1927 Third quarter	101.1	104.9
Fourth	121.0	114.2
1928 First	100.2	113.3
Second	98.2	113.7
Third	91.5 ¹	112.7
Fourth	113.0	120.8
1929 First	89.5	120.7

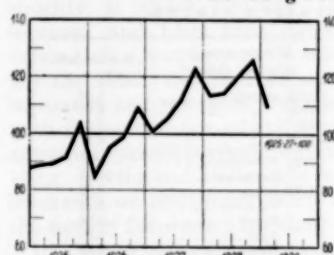
¹ Beginning with third quarter, 1928, scope of statistics reduced.

Clearings.



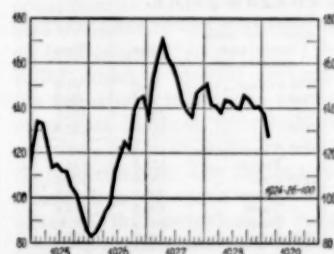
Monthly totals in billiards of reichsmarks	Reichs- bank clearings	Postal check traffic
1925 average	5.3	9.2
1926	7.0	9.6
1927	8.7	11.3
1928	10.1	12.2
1928 November ..	10.0	12.6
December	10.6	12.6
1929 January	11.8	13.2
February	9.8	10.9
March	10.1	11.6
April	12.1	13.0
May	10.8	12.5

Value of goods exchanged.



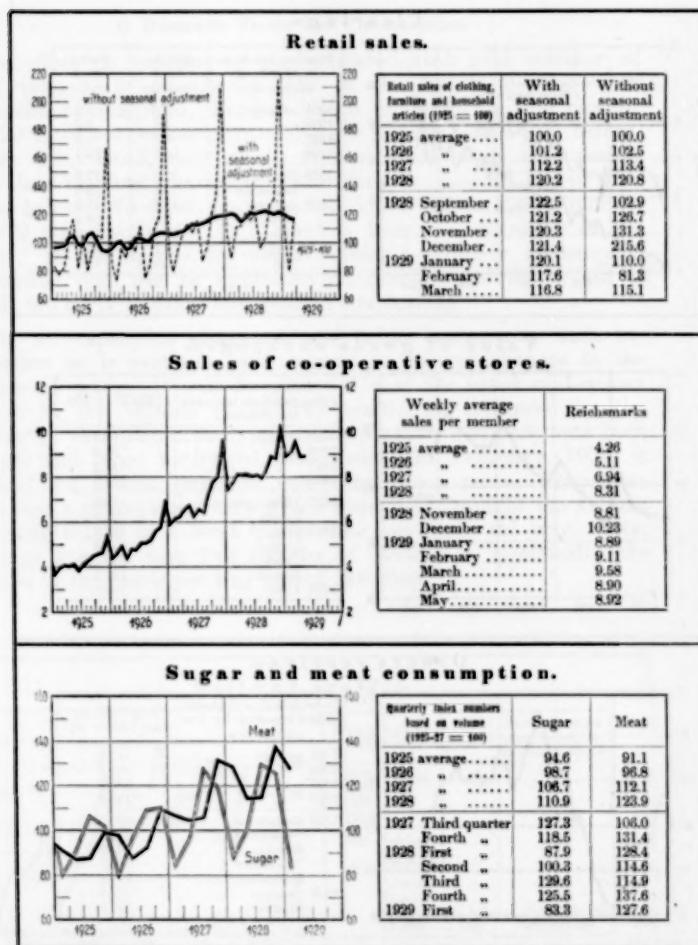
Index numbers, estimated from turnover tax returns	1925-27 = 100
1925 average	93.1
1926	96.6
1927	110.2
1928	118.4
1927 Third quarter	112.0
Fourth	122.9
1928 First	113.6
Second	114.3
Third	120.1
Fourth	125.7
1929 First	109.6

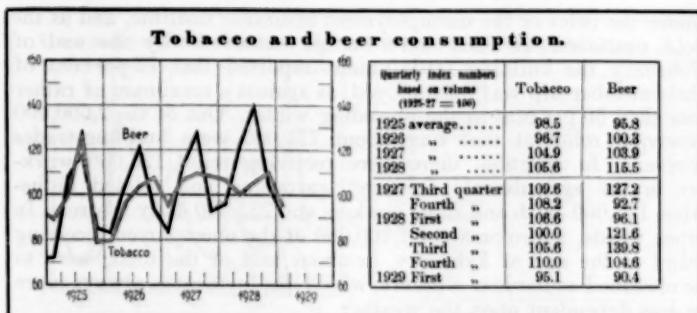
Orders received.



Index based on domestic orders reported by five industries	July 1924 to June 1926 = 100
1925 average	112.6
1926	112.7
1927	150.7
1928	142.3
1928 August	140.0
September	145.7
October	143.5
November	140.3
December	140.8
1929 January	137.4
February	127.5

Most of the figures for retail trade and consumption now available cover periods no later than the first quarter of 1929, and reflect fully the weather conditions then prevailing. Weekly average sales per member at co-operative stores continue at something above the average of the previous year, reflecting in part further expansion in the scope of these stores. Consumption of meat during the first quarter of 1929 was about the same as in the first quarter of 1928, but the consumption of sugar, tobacco and beer was smaller.





c. Labor.

The winter months of 1928-29 brought difficulties in employment more severe than any since the rationalization crisis of 1925-1926, and in some respects the hardships were even greater than at that time. The special factor over and above other factors accounting for the size of the unemployment and the speed with which it increased from week to week was the extreme coldness and long duration of the winter, which followed immediately upon the lock-out in the Rhenish-Westphalian steel and iron mills, and much aggravated its effects on unemployment.

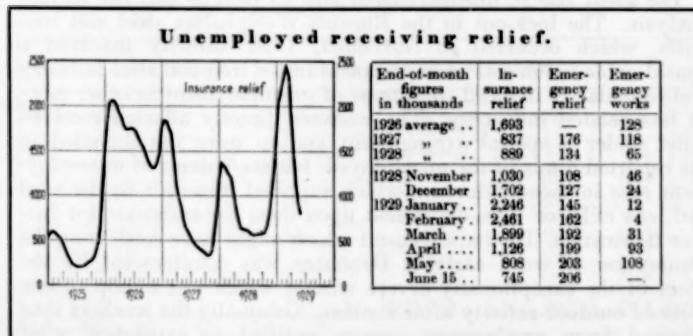
It will be recalled from the last Report that throughout 1928 the number of unemployed on the various relief lists was already considerable. From May until October, the total remained fairly steadily at about 700,000. In November there was a marked increase, and from then onward until the end of February the volume of unemployment continued to mount rapidly. On February 28, 1929, the number of unemployed receiving relief, both insurance and emergency, reached a total of 2,622,000. Thereafter, with the moderation of the weather and the resumption of seasonal activities, unemployment diminished almost as rapidly as it had risen. By the end of May the total number of unemployed receiving insurance or emergency relief had fallen to about 1,000,000, and the figures for June 15th show a further decline of 60,000.

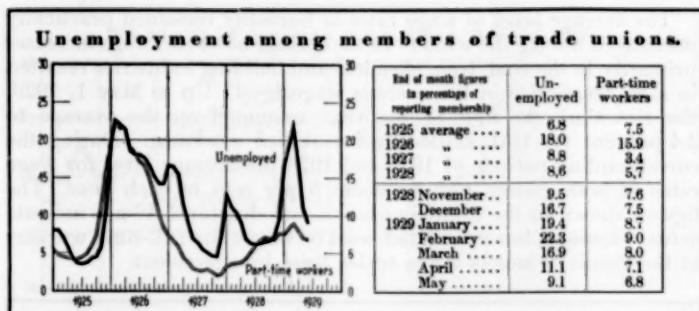
The great rise in unemployment and its decline call for further analysis. The lock-out in the Rhenish-Westphalian steel and iron mills, which occurred in November, 1928, directly involved a considerable volume of unemployment in the iron and steel industry and secondarily induced conditions of unemployment in other more or less related industries. The workers directly affected received relief under a special arrangement and so were not included in the reported totals of the unemployed; but the volume of unemployment rose in those industries which supplied materials to the steel and iron mills or were dependent upon them for materials for further fabrication. The improvement which might have come from the resumption of work early in December was counteracted by the onset of the exceptionally severe winter, which put a stop to one form of outdoor activity after another. Gradually the workers thus released from employment became entitled to insurance relief

under the rules of the unemployment insurance institute, and as the cold continued the lists were further extended. By the end of February the building trade unions reported that 72 per cent of their membership was unemployed, as against a maximum of rather less than 50 per cent in the preceding winter. Out of the 2,600,000 receiving relief at that time about 771,000 were building-trades workers. In addition, there were receiving relief 123,000 workers in the agricultural, forestry, gardening and related industries, 111,000 earth and stone workers and 232,000 daily laborers. In other words, approximately 1,300,000 of the unemployed receiving relief at the end of February, or about half of the total, were to be classified as outdoor workers, whose employment is always more or less dependent upon the weather.

In addition to the direct effects upon outdoor employment, the cold weather affected trades not ordinarily subject to seasonal interruption. Difficulties of transport by water, both in the seaports and in the rivers and canals which intersect Germany, interfered with the prompt despatch and receipt of freight. Railway traffic was also impeded. In consequence, unemployment increased among transport workers and among industrial workers of all sorts in industries dependent upon the steady movement of materials and finished products.

While the unemployment during the winter months was undoubtedly much intensified by the unprecedented weather conditions, the influence of other factors should not be overlooked. As has already been explained at length in the chapter on credit, the volume of funds available for long-term use was limited and interest rates were high, with the result that new undertakings frequently had to be postponed. There was also more or less widespread uncertainty as to the development of business conditions in Germany, pending the conclusion of the work of the Experts' Committee for the final settlement of the reparation problem. A further important factor in the labor situation as a whole, which has been discussed at length in previous Reports, was the annual increase in the working population. According to the official estimates, the annual increase now amounts to over 400,000, and its magnitude has been a complicating factor throughout the period since stabilization, often intensifying the problem of unemployment.



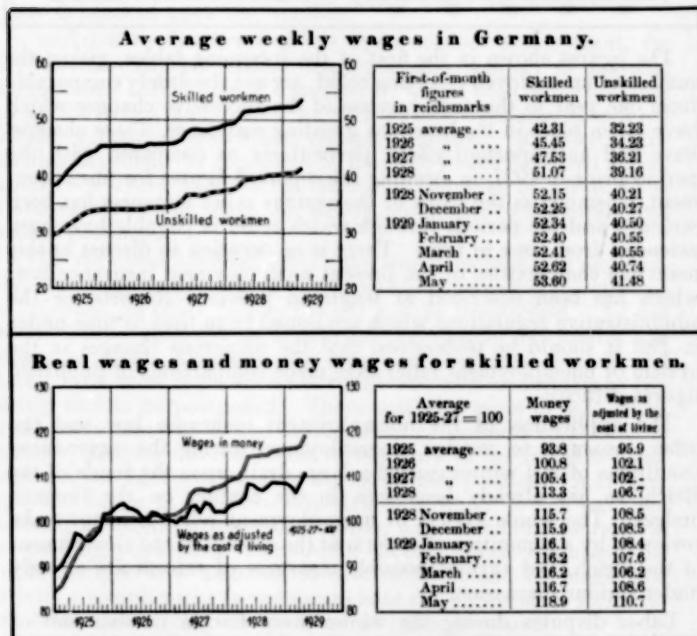


The figures shown in the first of the foregoing tables, giving the number of unemployed receiving relief, are not absolutely comparable from one year to the next, because of the successive changes which have taken place in the bases for granting assistance. These changes have had an important effect, particularly as compared with the period prior to 1927, in swelling the reported figures for unemployment, inasmuch as the scope of the various relief measures has been widened and the periods through which relief is payable have been extended from time to time. There is no occasion to discuss at this point the complexities of the present unemployment insurance law, which has been described at length in previous Reports, or the administrative regulations which are issued from time to time under it. But it should be understood that the numerous changes in the system of unemployment relief have made comparisons of published figures difficult.

The application of the unemployment insurance law and the other measures to combat unemployment during the aggravated conditions of last winter caused a large drain upon the funds of the Reich, as has already been seen in the chapter on the German budget. The whole system of unemployment relief is about to be reviewed by a committee of experts at the request of the Government of the Reich, and various possible measures of reform are already under serious discussion.

Labor disputes during the winter were few in number and of minor importance. Early in the spring, however, the expiration of several important wage agreements resulted in labor controversies, mainly over wage scales. In the Ruhr coal mines an arbitration award was declared binding early in May which granted an increase in wages of about 2 per cent, not subject to revision prior to September 30, 1930. An increase in wages estimated on the average to amount to about 4 per cent was granted to laborers for the German Railway Company under an arbitration award made binding on June 6, 1929, to continue until March 31, 1931. In the Silesian textile industry, where an increase in wages was demanded in connection with renewing wage agreements, about 50,000 operatives were locked out on May 25th. An arbitration award granting an increase in wages was not accepted by the employers, and the Minister of Labor refused to declare it binding. At the end of June no settlement had been reached.

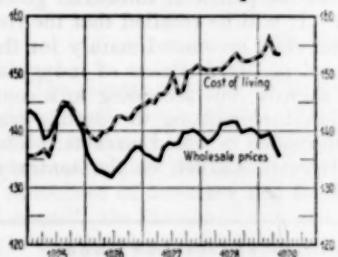
The average level of wage rates in Germany remained practically unchanged during the winter. In the spring, however, wage increases primarily in the coal, iron, chemical and building industries resulted in a moderate rise in the average wage level. Up to May 1, 1929, the rise since the first of the year amounted on the average to 2.4 per cent for both skilled and unskilled workmen. During the corresponding periods of 1927 and 1928 the average level for wage rates of both classes rose by about 5 per cent in each year. The figures shown in the following tables and diagrams do not indicate actual earnings, but calculated weekly wages for full-time workers at the standard hourly wage scales fixed by agreement.



f. Prices.

The general level of wholesale prices in Germany, as reflected in the broad index of the Reich Statistical Office, stood in May, 1929, at the lowest point in slightly more than two years. This decline was due largely to conditions in world markets with which German conditions had little to do, but which nevertheless have an important influence upon the internal economy. The index for the cost of living, which naturally follows rather tardily the movements of the wholesale index, stood in May at the highest point yet reached except for a temporary rise in the early part of this year, when the extraordinary cold was influencing the retail prices of food and fuel.

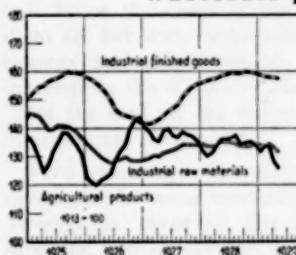
Wholesale prices and cost of living.



Monthly averages	Wholesale prices 1913 = 100	Cost of living 1913-14 = 100
1925 average ..	141.8	139.8
1926 " ..	134.4	141.2
1927 " ..	137.6	147.6
1928 " ..	140.0	151.7
1928 November ..	140.3	152.3
December ..	139.9	152.7
1929 January ..	138.9	153.1
February ..	139.3	154.4
March ..	139.6	156.5
April ..	137.1	153.6
May ..	135.5	153.5

In order to understand the meaning of the decline in the German wholesale price index, it is necessary to observe the movements of prices in each of the three main groups of commodities from which it is constituted. Of the three groups, the only one which has shown recently a strong movement one way or the other is the group comprising agricultural products. Since the beginning of 1928 the prices of agricultural products have largely determined the movements of the German price index as a whole. In April and May, 1929, for example, there was a precipitate decline in agricultural prices which almost entirely accounted for the decline in the general index to its present low level. In June, however, agricultural prices showed a rising tendency. These movements reflect for the most part changes in the prices of important agricultural staples on world markets. Since Germany is dependent upon foreign sources of supply for a broad margin of her requirements for grain and certain other farm products, domestic prices are likely to follow world prices, with due allowance for customs duties and transport. The effects of the fall in agricultural prices upon the German agriculturalist and the German trade balance have already been described in previous sections of this Report.

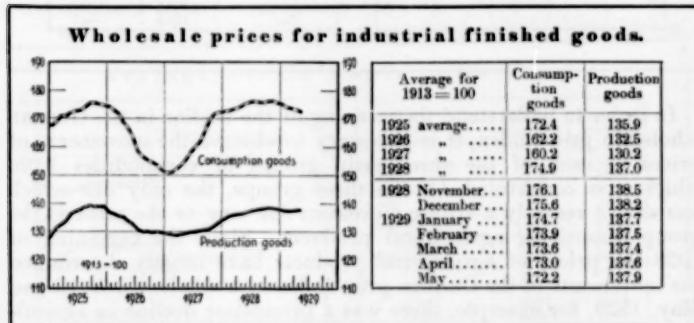
Wholesale prices by groups.



Average for 1913 = 100	Agricultural products	Industrial raw materials	Ind. finished goods
1925 average ..	133.0	141.0	156.7
1926 " ..	129.3	129.7	149.5
1927 " ..	137.8	131.9	147.3
1928 " ..	134.3	134.1	158.6
1928 November ..	135.2	132.5	159.9
December ..	134.1	134.1	159.5
1929 January ..	131.7	134.0	158.8
February ..	133.9	132.6	158.2
March ..	133.7	134.3	158.0
April ..	128.2	133.1	157.8
May ..	125.8	131.3	157.5

As compared with the movements of agricultural prices, the changes in the other two main groups composing the German wholesale price index have been slight. Since the end of 1928 the

index for industrial finished goods has shown a small decline, the result mostly of small recessions in the prices of industrial goods passing directly into consumption. It will be recalled that the rise of prices of industrial goods of this class accounted mainly for the active rise of the German price level in 1927. Prices of industrial raw materials have also declined slightly, but according to a computation of the Institut für Konjunkturforschung the decline was due wholly to price movements determined in world markets; prices responding to conditions in the German market, on the contrary, have risen slightly since the middle of last year.



Heretofore a diagram illustrative of the movements of basic commodity prices in three countries has been printed at this point in the Reports. Since one of the indexes derived from abroad has been discontinued, the diagram is omitted.

IX. Conclusions.

The Governments of Belgium, France, Germany, Great Britain, Italy, and Japan agreed at Geneva on September 16, 1928, on "the necessity for a complete and definite settlement of the reparation problem and for the constitution for this purpose of a committee of financial experts to be nominated by the six Governments". On December 22, 1928, the six Governments which joined in this decision reached a further agreement on the constitution of the Committee of Experts, and decided to entrust to it "the task of drawing up proposals for a complete and final settlement of the reparation problem," which should "include a settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor Powers". The Governments further decided, in addition to independent experts from each of the six countries, to invite citizens of the United States of America to take part in the work of the Committee, to be appointed by the Reparation Commission conjointly with the German Government. The Committee was duly constituted in accordance with the decisions of the Governments, and held its first regular meeting on February 11, 1929. On June 7, 1929, after having been in continuous session over a period of some seventeen weeks, the Experts reached a unanimous agreement, and transmitted to the Governments which took part in the Geneva decision and to the Reparation Commission their proposals "for a complete and final settlement of the reparation problem, including the settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor Powers". The Experts unanimously recommended their Plan to the Governments concerned, and it now awaits the necessary action of the Governments to make it effective.

The Experts' Report of 1929 completes the work of the first Committee of Experts, and provides a Plan under which Germany will know the exact extent of her obligations and will discharge them on her own responsibility. In the interests of the creditor Powers and of Germany alike, it eliminates the uncertainties inherent in the Experts' Plan of 1924, and, to use its own words, "sets the seal on the inclusion of the German debt in the list of international settlements".

Five years ago the adoption of the Experts' Plan of 1924 by agreement between Germany and the creditor Powers marked the decision in favor of the rational settlement of the reparation problem, and an election at the same time in favor of the peaceful reconstruction of Europe. It was the turning point in the process of recuperation after the war, and the years which have followed have been years of steadily increasing stability and of substantial

economic recovery, not merely in Germany but in Europe as a whole. The Experts' Plan of 1929 gives to Germany and the creditor countries the opportunity for the definitive settlement of the reparation problem, and thus provides the essential basis for the further progress of peaceful reconstruction.

Respectfully,
S. PARKER GILBERT,
Agent General for Reparation Payments.

Exhibit I.

1928-29
and thereafter
"Standard
Year"

**Composition
of the
German Annuity under the Experts' Plan¹.**
(In Millions of Gold Marks)

1924-25	1925-26	1926-27	1927-28	Budget 1,250
German External Loan 1924 800	Budget 250	Supplement- ary Budget Contribution 300	Budget 500	
Interest on the German Industrial Debentures 200	Transport Tax 250	Transport Tax 290	Transport Tax 290	
	Interest on the German Industrial Debentures 125	Interest on the German Industrial Debentures 250	Interest and Amortisation on the German Industrial Debentures 300	Interest and Amortisation on the German Industrial Debentures 300
	Interest on the German Railway Bonds 595	Interest on the German Railway Bonds 550	Interest and Amortisation on the German Railway Bonds 660	Interest and Amortisation on the German Railway Bonds 660
1,000	1,220	1,500	1,750	2,500 ³

¹ The Annuity year runs from September 1st to August 31st.

² The Plan fixed the third Annuity at 1,200 million gold marks. It provided, however, for two contingent supplementary contributions, payable from the German budget in the fourth and fifth Annuity years, amounting altogether to 500 million gold marks. By agreement between the Reparation Commission and the German Government, the two contingent supplementary contributions were replaced by a single definite payment of 300 million gold marks, made during the third Annuity year.

³ Subject to increase as from 1929-30 onwards, depending on the index of prosperity described in the Plan.

Exhibit II.

Revised Distribution of Third Annuity—Showing Shares of the Respective Powers.
(In thousands of gold marks.)

	Army Costs		Belgian War Debt		Restitution	American Mixed Claims	Reparation	Total Share
	Arrears	Current						
1. France	10,687	100,000	27,089	7,241	—	602,758	747,775	
2. Great Britain	8,063	24,525	23,262	163	—	253,910	309,923	
3. Italy	—	—	—	140	—	—	97,616 ^b	97,756
4. Belgium	—	15,000	8,678	3,621	—	—	48,815 ^a	76,114
5. Serb-Croat-Slovene State	—	—	—	116	—	24,969	48,920	
6. United States of America	55,000	—	—	—	—	—	—	79,969
7. Romania	—	—	—	315	—	—	11,981	12,296
8. Japan	—	—	—	—	—	—	8,299	8,299
9. Portugal	—	—	—	—	—	—	8,250	8,250
10. Greece	—	—	—	—	—	—	4,344	4,344
11. Poland	—	—	—	210	—	—	—	210
Totals	73,750	139,525	59,029	11,806	24,969	1,084,777	1,393,856	
Interest earned (less loss in exchange) included in the above distribution								
Service of German External Loan								
Costs of Inter-Allied Commissions								
Discount on Railway Interest								
Total of Third Annuity								

^a In accordance with Article 6 B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 39:22.

^b In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the total shares of Italy and Serbia. The sums thus rendered available have been distributed among the Powers in arrears on the basis of the provisional percentages notified by the Reparation Commission.

Exhibit III.
Revised Distribution of Fourth Annuity — Showing Shares of the Respective Powers.
 (In thousands of gold marks.)

	Army Costs		Belgian War Debt	Restitution	American Mixed Claims	Reparation	Total Share
	Arrears	Current					
1. France	17,100	97,219	32,892	8,792	—	731,852	887,855
2. Great Britain	12,900	20,016	28,244	198	—	308,292	369,650
3. Italy	—	—	—	170	—	118,549 ^b	118,719
4. Belgium	—	12,619	10,537	4,396	—	59,272 ^a	86,824
5. Serb-Croat-Slovene State	—	—	—	142	—	59,257 ^b	59,399
6. United States of America	55,000	—	—	—	30,318	—	85,318
7. Rumania	—	—	—	382	—	14,548	14,930
8. Japan	—	—	—	—	—	10,076	10,076
9. Portugal	—	—	—	—	—	10,017	10,017
10. Greece	—	—	—	255	—	5,274	5,274
11. Poland	—	—	—	—	—	255	255
Totals	85,000	129,854	71,673	14,335	30,318	1,317,187	1,648,317
Interest earned and gain in exchange included in the above distribution							
5,007							
Service of German External Loan							
1,643,220							
Costs of Inter-Allied Commissions							
90,573							
Discount on Service of German Railway Bonds and Industrial Debentures							
9,114							
Total of Fourth Annuity							
7,093							
Total of Fourth Annuity							
1,750,000							

^a In accordance with Articles B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 52:22.

^b The necessary deductions have been made from the shares of Italy and Serbia, in accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925. The sums thus rendered available have been distributed among the Powers in arrears on the basis of the provisional percentages notified by the Reparation Commission.

Exhibit IV.

Revised Distribution of Fifth Annuity—Showing Shares of the Respective Powers.
(In thousands of gold marks)

	Army Costs Arrears	Current	Belgian War Debt	Restitution	American Mixed Claims	Reparation	Total Share
1. France	17,100	95,386	50,169	22,600	—	1,104,948	1,290,203
2. Great Britain	12,900	19,541	43,081	509	—	465,792	541,823
3. Italy	—	—	—	436	—	184,628 ^b	185,064
4. Belgium	—	11,670	16,072	11,300	—	89,787 ^a	128,829
5. Serb-Croat-Slovene State	—	—	—	364	—	89,751 ^b	90,115
6. United States of America	55,000	—	—	—	45,000	—	100,000
7. Rumania	—	—	—	983	—	22,022	23,006
8. Japan	—	—	—	—	—	15,214	15,214
9. Portugal	—	—	—	—	—	15,139	15,139
10. Greece	—	—	—	—	—	7,989	7,989
11. Poland	—	—	—	655	—	—	655
Totals	85,000	126,597	109,322	36,847	45,000	1,905,270	2,398,036
Interest received and gain in exchange included in the above distribution						6,374	6,374
Service of German External Loan						2,391,662	2,391,662
Costs of Inter-Allied Commissions						89,412	89,412
Discount on Service of German Railway Bonds and Industrial Debentures						10,805	10,805
Total of Fifth Annuity						8,061	8,061
						2,500,000	2,500,000

^a In accordance with Articles 6 B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 52:22.

^b In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the share of Serbia throughout the year; a similar deduction has been made from the share of Italy until June, 1929, during which month the recognition of the amount due from Italy was completed, according to the provisional figures notified by the Reparation Commission. The sums thus rendered available have been distributed among the Powers in arrears on the basis of the provisional percentages notified by the Reparation Commission.

Exhi

Balance Sheet of the Agent General for

Assets	Gold Marks
I. Bank balances and other funds available upon demand valued at the fine gold rate	310,516,182.51
II. Annuity funds accrued but not due	154,166,666.72
III. Advancee payments—Advances to Trustees of German External Loan 1924	3,757,917.62
IV. Interest accrued	1,217,222.05
<i>Total</i>	469,657,988.90

bit V.

Reparation Payments — May 31, 1929.

Liabilities	Gold Marks	Gold Marks
V. Accounts payable:		
(a) Reparation Recovery Acts—including balances owing to German exporters, calculated from certificates of collections given by French and British Governments.....	3,324,702.55	
(b) Deliveries of coal, coke and lignite (including transport)—based on information furnished by the Reparation Commission Office for Deliveries in Kind or by the National Representatives	13,006,203.31	
(c) Deliveries of dyestuffs and pharmaceutical products	4,711.01	
(d) Deliveries of chemical fertilisers and nitrogenous products.....	27,173.13	
(e) Deliveries of coal by-products	297,531.88	
(f) Deliveries of refractory earths	9,372.94	
(g) Deliveries of agricultural products	138,837.45	
(h) Deliveries of timber	282,835.39	
(i) Deliveries of sugar	1,524,153.12	
(j) Miscellaneous deliveries	15,195,678.35	33,811,199.13
VI. Allied and Associated Powers —funds allocated and uncovered by payments or accounts payable, calculated on the basis of the schedules of distribution of the Annuities as provisionally adopted by the Reparation Commission:		
	Funds committed under approved contracts	Funds uncommitted
(a) France.....	128,983,330.62	87,467,784.44
(b) Great Britain	—	18,393,977.36
(c) Italy	3,369,371.24	13,829,015.70
(d) Belgium	5,652,227.75	4,290,881.72
(e) Serb-Croat-Slovene State ..	6,825,521.36	427,651.94
(f) United States of America ..	—	16,205.95
(g) Rumania	—	293,717.98
(h) Japan	142,581.—	3,617,149.75
(i) Portugal	9,377.—	52,736.08
(j) Greece	1,307,721.89	139,183.37
(k) Poland.....	—	44,574.22
	146,290,130.86	128,572,878.51
		274,863,009.37
VII. Funds unallocated:		
(a) Annuity funds not available for allocation	154,166,000.05	
(b) Appropriations for Prior Charges not required for that purpose	1,501,509.80	
(c) Interest earned and difference in exchange	5,316,270.55	160,983,780.40
	<i>Total</i>	469,657,988.90

Exhi

**Statement showing Receipts and Payments of the Agent
September 1, 1928,**

Receipts	Gold Marks
I. In completion of Fourth Annuity: (a) <i>Transport Tax</i>	24,174,000.—
(b) <i>Railway Reparation Bonds</i> — Interest and amortisation received from German Railway Company	55,000,000.—
II. On account of Fifth Annuity: (a) <i>Budgetary Contribution</i>	937,500,000.—
(b) <i>Transport Tax</i>	193,333,333.28
(c) <i>Railway Reparation Bonds</i> — Interest and amortisation received from German Railway Company	440,000,000.—
(d) <i>Industrial Debentures</i> — Interest and amortisation received from Bank for Industrial Debentures	150,000,000.—
III. Interest received	6,187,852.97
IV. Gain in exchange	826,905.32
<i>Total receipts</i>	1,807,022,091.57
V. Bank balances and other funds available upon demand at Sep- tember 1, 1928	189,488,944.86
<i>Carried forward</i>	1,996,511,036.43

bit VI.

General for Reparation Payments during the Period to May 31, 1929.

Payments	Gold Marks	Gold Marks
VI. Allied and Associated Powers:		
<i>(a) France:</i>		
1. Marks supplied to army of occupation	17,324,151.13	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement	4,523,184.57	
3. Reparation Recovery Act	49,127,492.60	
4. Deliveries of coal, coke and lignite (including transport)	146,401,025.57	
5. Deliveries of dyestuffs and pharmaceutical products	8,919,062.66	
6. Deliveries of chemical fertilisers and nitrogenous products	34,432,754.58	
7. Deliveries of coal by-products	6,292,485.03	
8. Deliveries of refractory earths	414,948.51	
9. Deliveries of agricultural products	587,570.89	
10. Deliveries of timber	3,826,113.89	
11. Deliveries of sugar	15,995,019.97	
12. Miscellaneous deliveries	225,095,981.84	
13. Miscellaneous payments	675,000.—	
14. Cash transfers in foreign currencies	326,110,107.23	839,724,898.47
<i>(b) Great Britain:</i>		
1. Marks supplied to army of occupation	8,013,095.63	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement	1,438,111.41	
3. Reparation Recovery Act	248,750,324.24	
4. Cash transfers:		
(i) Settlement of balances owing for deliveries made or services rendered by Germany prior to September 1, 1924	399,404.49	
(ii) In foreign currencies	119,610,271.68	378,211,207.45
<i>(c) Italy:</i>		
1. Deliveries of coal and coke (including transport)	72,270,417.—	
2. Deliveries of dyestuffs and pharmaceutical products	985,925.69	
3. Deliveries of coal by-products	1,137,021.91	
4. Miscellaneous deliveries	1,520.57	
5. Cash transfers in foreign currencies	46,902,510.90	121,297,396.07
<i>Carried forward...</i>		1,339,233,501.99

Exhibit VI

Statement showing Receipts and Payments of the Agent
September 1, 1928,

Receipts	Gold Marks
<i>Brought forward</i>	1,996,511,036.43
<i>Carried forward</i>	1,996,511,036.43

(Continued).

General for Reparation Payments during the Period to May 31, 1929.

Payments	Gold Marks	Gold Marks
<i>Brought forward</i>		1,339,233,501.99
<i>(d) Belgium:</i>		
1. Marks supplied to army of occupation	294,999.59	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement	570,120.84	
3. Deliveries of coal and coke (including transport)	6,185,835.05	
4. Deliveries of dyestuffs and pharmaceutical products	6,465,491.15	
5. Deliveries of chemical fertilisers and nitrogenous products	5,817,116.68	
6. Deliveries of coal by-products	1,550,038.36	
7. Deliveries of refractory earths	1,203.57	
8. Deliveries of agricultural products	94,781.99	
9. Miscellaneous deliveries	37,094,720.81	
10. Cash transfers in foreign currencies	29,367,798.28	87,442,106.32
<i>(e) Serb-Croat-Slovene State:</i>		
1. Deliveries of pharmaceutical products	204,802.78	
2. Deliveries of chemical fertilisers and nitrogenous products	144,730.41	
3. Miscellaneous deliveries	53,081,705.35	
4. Miscellaneous payments	277,396.15	
5. Cash transfers in foreign currencies	11,711,689.26	65,420,323.95
<i>(f) United States of America:</i>		
1. Deliveries under agreement	32,426,224.44	
2. Cash transfers in foreign currencies, on account of priority for army costs in arrears	37,725,822.69	70,152,047.13
<i>(g) Rumania:</i>		
1. Miscellaneous deliveries		17,509,943.04
<i>(h) Japan:</i>		
1. Deliveries of chemical fertilisers and nitrogenous products	3,601,156.88	
2. Deliveries of agricultural products	281,904.56	
3. Miscellaneous deliveries	2,931,800.20	
4. Cash transfers in foreign currencies	3,836,851.81	10,651,713.45
<i>(i) Portugal:</i>		
1. Miscellaneous deliveries	8,659,823.90	
2. Cash transfers in foreign currencies	2,110,240.11	10,770,064.01
<i>(j) Greece:</i>		
1. Miscellaneous deliveries	3,979,075.18	
2. Cash transfers in foreign currencies	1,368,839.29	5,347,914.47
<i>Carried forward</i>		1,606,527,614.36

Exhibit VI

Statement showing Receipts and Payments of the Agent
September 1, 1928,

Receipts	Gold Marks
<i>Brought forward</i>	1,996,511,036.43
<i>Total</i>	1,996,511,036.43

(Continued).

General for Reparation Payments during the Period to May 31, 1929.

Payments	Gold Marks	Gold Marks
<i>Brought forward</i>		1,606,527,614.36
(k) <i>Poland:</i>		
1. Deliveries of agricultural products	404,889.70	
2. Miscellaneous payments.	6,766.67	
3. Cash transfers in foreign currencies	12,499.69	424,156.06
<i>Total in respect of Powers</i>		1,606,951,770.42
VII. Service of German External Loan 1924		65,141,166.45
VIII. Inter-Allied Commissions:		
1. Reparation Commission	2,405,133.61	
2. Office for Reparation Payments.	2,775,164.80	
3. Inter-Allied Rhineland High Commission	2,278,372.75	
4. Military Inter-Allied Commission of Control	5,137.76	7,463,808.92
IX. Discount on amounts received in advance of due date:		
1. From German Railway Company	6,417,577.06	
2. From Bank for Industrial Debentures	20,531.07	6,438,108.13
<i>Total payments</i>		1,685,994,853.92
X. Bank balances and other funds available upon demand at May 31, 1929		310,516,182.51
<i>Total</i>		1,996,511,036.43

Exhi

Distribution among the Powers of Amounts
September 1, 1928,

	Amounts available September 1, 1928, to May 31, 1929	Total payments	
		Gold Marks	Gold Marks
1. France	1,082,878,533.59	839,724,898.47	
2. Great Britain	396,696,764.52	378,211,207.45	
3. Italy	142,713,400.70	121,297,396.07	
4. Belgium	99,431,532.58	87,442,106.32	
5. Serb-Croat-Slovene State	73,336,314.27	65,420,323.95	
6. United States of America	70,168,253.08	70,152,047.13	
7. Rumania	17,803,661.02	17,509,943.04	
8. Japan	14,411,444.20	10,651,713.45	
9. Portugal	10,922,524.95	10,770,064.01	
10. Greece	6,794,819.73	5,347,914.47	
11. Poland	468,730.28	424,156.06	
<i>Totals in respect of Powers</i>		1,915,625,978.92	1,606,951,770.42
12. Service of German External Loan 1924	61,598,232.61	65,141,166.45	
13. Inter-Allied Commissions:			
(a) Reparation Commission	2,881,616.07	2,405,133.61	
(b) Office for Reparation Payments	2,775,000.—	2,775,164.80	
(c) Inter-Allied Rhineland High Commission	3,147,761.35	2,278,372.75	
(d) Military Inter-Allied Commission of Control	—	5,137.76	
14. Costs of arbitral bodies	Dr. 53,933.37	—	
15. Discount on amounts received in advance of due date:			
(a) From German Railway Company ..	6,417,701.39	6,417,577.06	
(b) From Bank for Industrial Debentures	20,297.63	20,531.07	
<i>Funds unallocated:</i>		1,992,412,654.60	1,685,994,853.92
(a) Annuity funds not available for allocation	154,166,000.05	—	
(b) Incidental items:			
1. Interest received	2,215,000.72	—	
2. Interest accrued	1,217,222.05	—	
3. Gain in exchange	1,884,047.78	—	
<i>Totals</i>		2,151,894,925.20	1,685,994,853.92
The foregoing total is made up as follows:			
(a) Fourth Annuity—balance unexpended at September 1, 1928:			
1. Bank balances and other funds available upon demand	189,488,944.86		
2. Annuity funds accrued but not due	79,174,000.—		
3. Interest accrued	640,779.09		
(b) Fifth Annuity:			
1. Proportion accrued to May 31, 1929	1,875,000.00.—		
2. Interest earned	6,764,295.93		
3. Gain in exchange	826,905.32		
<i>Total as above</i>		2,151,894,925.20	

bit VII.

**available for Expenditure during the Period
to May 31, 1929.**

Accounts payable at May 31, 1929	Total payments and accounts payable at May 31, 1929	Powers' Balances at May 31, 1929 (per Balance Sheet)		
		Funds allocated and uncovered by payments or accounts payable		Funds unallocated
		Funds committed under approved contracts	Funds uncommitted	
26,702,520.06	866,427,418.53	128,983,330.62	87,467,784.44	—
91,579.71	378,302,787.16	—	18,393,977.36	—
4,217,617.69	125,515,013.76	3,369,371.24	13,829,015.70	—
2,046,316.79	89,488,423.11	5,652,227.75	4,290,881.72	—
662,817.02	66,083,140.97	6,825,521.36	427,651.94	—
—	70,152,047.13	—	16,205.95	—
—	17,509,943.04	—	293,717.98	—
—	10,651,713.45	142,581.—	3,617,149.75	—
90,347.86	10,860,411.87	9,377.—	52,736.08	—
—	5,347,914.47	1,307,721.89	139,183.37	—
—	424,156.06	—	44,574.22	—
33,811,199.13	1,640,762,969.55	146,290,130.86	128,572,878.51	—
Cr. 3,757,917.62	61,383,248.83	—	—	214,983.78
—	2,405,133.61	—	—	476,482.46
—	2,775,164.80	—	—	Dr. 164.80
—	2,278,372.75	—	—	869,388.60
—	5,137.76	—	—	Dr. 5,137.76
—	—	—	—	Dr. 53,933.37
—	6,417,577.06	—	—	124.33
—	20,531.07	—	—	Dr. 233.44
Dr. 33,811,199.13	1,716,048,135.43	146,290,130.86	128,572,878.51	1,501,509.80
Cr. 3,757,917.62	—	—	—	154,166,000.05
—	—	—	—	3,432,222.77
—	—	—	—	1,884,047.78
Dr. 33,811,199.13	1,716,048,135.43	146,290,130.86	128,572,878.51	160,983,780.40
Cr. 3,757,917.62	—	—	—	—

Exhibit VIII.

**Analysis of Payments and Accounts Payable for the
Period September 1, 1928, to May 31, 1929,
according to Category of Expenditure.**

	Total payments Sept. 1, 1928, to May 31, 1929	Accounts payable at May 31, 1929	Total payments and accounts payable at May 31, 1929
	Gold Marks	Gold Marks	Gold Marks
1. Marks supplied to armies of occupation:			
France	17,324,151.13	—	17,324,151.13
Great Britain	8,013,095.63	—	8,013,095.63
Belgium	294,999.59	—	294,999.59
	25,632,246.35	—	25,632,246.35
2. Furnishings to armies under Arts. 8-12 of Rhineland Agreement:			
France	4,523,184.57	—	4,523,184.57
Great Britain	1,438,111.41	—	1,438,111.41
Belgium	570,120.84	—	570,120.84
	6,531,416.82	—	6,531,416.82
3. Reparation Recovery Acts:			
France	49,127,492.60	3,233,122.84	52,360,615.44
Great Britain	248,750,324.24	91,579.71	248,841,903.95
	297,877,816.84	3,324,702.55	301,202,519.39
4. Deliveries of coal, coke and lignite (including transport):			
France	146,401,025.57	8,788,585.62	155,189,611.19
Italy	72,270,417.—	4,217,617.69	76,488,034.69
Belgium	6,185,835.05	—	6,185,835.05
	224,857,277.62	13,006,203.31	237,863,480.93
5. Deliveries of dyestuffs and pharmaceutical pro- ducts:			
France	8,919,062.66	—	8,919,062.66
Italy	985,925.69	—	985,925.69
Belgium	6,465,491.15	4,711.01	6,470,202.16
Serb-Croat-Slovene State	204,802.78	—	204,802.78
	16,575,282.28	4,711.01	16,579,993.29
<i>Totals carried forward ...</i>	571,474,039.91	16,335,616.87	587,809,656.78

	Total payments Sept. 1, 1928, to May 31, 1929	Accounts payable at May 31, 1929	Total payments and accounts payable at May 31, 1929
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward ...</i>	571,474,039.91	16,335,616.87	587,809,656.78
6. Deliveries of chemical fertilisers and nitrogenous products:			
France	34,432,754.58	23,932.65	34,456,687.23
Belgium	5,817,116.68	3,240.48	5,820,357.16
Serb-Croat-Slovene State	144,730.41	—	144,730.41
Japan	3,601,156.88	—	3,601,156.88
	43,995,758.55	27,173.13	44,022,931.68
7. Deliveries of coal by-products:			
France	6,292,485.03	240,147.50	6,532,632.53
Italy	1,137,021.91	—	1,137,021.91
Belgium	1,550,038.36	57,384.38	1,607,422.74
	8,979,545.30	297,531.88	9,277,077.18
8. Deliveries of refractory earths:			
France	414,948.51	9,372.94	424,321.45
Belgium	1,203.57	—	1,203.57
	416,152.08	9,372.94	425,525.02
9. Deliveries of agricultural products:			
France	587,570.89	138,837.45	726,408.34
Belgium	94,781.99	—	94,781.99
Japan	281,904.56	—	281,904.56
Poland	404,889.70	—	404,889.70
	1,369,147.14	138,837.45	1,507,984.59
10. Deliveries of timber:			
France	3,826,113.89	282,835.39	4,108,949.28
11. Deliveries of sugar:			
France	15,995,019.97	1,524,153.12	17,519,173.09
12. Miscellaneous deliveries:			
France	225,095,981.84	12,461,532.55	237,557,514.39
Italy	1,520.57	—	1,520.57
Belgium	37,094,720.81	1,980,980.92	39,075,701.73
Serb-Croat-Slovene State	53,081,705.35	662,817.02	53,744,522.37
Rumania	17,509,943.04	—	17,509,943.04
Japan	2,931,800.20	—	2,931,800.20
Portugal	8,659,823.90	90,347.86	8,750,171.76
Greece	3,979,075.18	—	3,979,075.18
	348,354,570.89	15,195,678.35	363,550,249.24
<i>Totals carried forward ...</i>	994,410,347.73	33,811,199.13	1,028,221,546.86

	Total payments Sept. 1, 1928, to May 31, 1929	Accounts payable at May 31, 1929	Total payments and accounts payable at May 31, 1929
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward . . .</i>	994,410,347.73	33,811,199.13	1,028,221,546.86
13. Deliveries under agreement:			
United States of America	32,426,224.44	—	32,426,224.44
14. Miscellaneous payments:			
France	675,000.—	—	675,000.—
Serb-Croat-Slovene State	277,896.15	—	277,396.15
Poland	6,766.67	—	6,766.67
	959,162.82	—	959,162.82
15. Cash transfers:			
(a) Settlement of balances owing for deliveries made or services rendered by Germany prior to Sep- tember 1, 1924:			
Great Britain	399,404.49	—	399,404.49
(b) In foreign currencies:			
France	326,110,107.23	—	326,110,107.23
Great Britain	119,610,271.68	—	119,610,271.68
Italy	46,902,510.90	—	46,902,510.90
Belgium	29,367,798.28	—	29,367,798.28
Serb - Croat - Slovene State	11,711,689.26	—	11,711,689.26
United States of America	37,725,822.69	—	37,725,822.69
Japan	3,836,851.81	—	3,836,851.81
Portugal	2,110,240.11	—	2,110,240.11
Greece	1,368,839.29	—	1,368,839.29
Poland	12,499.69	—	12,499.69
<i>Totals in respect of Powers . . .</i>	579,156,035.43	—	579,156,035.43
	1,606,951,770.42	33,811,199.13	1,640,762,969.55

Exhibit IX.

Summary of Personnel, June 29, 1929.

	Nationality						Total
	American	French	British	Italian	Belgian	Dutch	
The Agent General for Reparation Payments Assistants and Staff.....	1	—	—	—	—	—	3
	2	—	—	—	—	—	
The Deputy Agent General for Reparation Payments	1	—	—	—	—	—	1
The Commissioner of the Reichsbank..... Assistants and Staff.....	—	—	—	—	—	—	1
	—	—	—	—	—	—	
The Commissioner for the German Railways Assistants and Staff.....	—	1	—	—	—	—	9
	—	6	—	1	1	—	
The Commissioner of Controlled Revenues.. Assistants and Staff	—	—	1	—	—	—	6
	—	1	3	—	1	—	
The Trustee for the German Railway Bonds	—	—	—	—	1	—	1
The Trustee for the German Industrial De- bentures	—	—	—	1	—	—	
Director of Office and Staff	—	—	—	4	—	—	5
The Transfer Committee	2	1	1	1	1	—	
Economic Advisers	—	1	—	1	1	—	
Other Staff.....	1	6	1	—	—	—	15 ²
Finance Director	1	—	—	—	—	—	1
Legal Adviser and Paris Representative..... Secretary and Staff.....	1	—	—	—	—	—	6
	3	1	1	—	—	—	
Administrative Services:							
Secretary and Staff	—	—	2	—	1	—	3
Chief Accountant and Staff.....	2	6	9	2	2	—	21
Translators	—	3	5	—	—	—	8
Private Secretaries, Registry and Filing Staff, Clerks, Stenographers, and Typists.....	3	8	26	—	—	—	37
<i>Total Personnel</i> ¹	15 ²	34	49	10	8	5	121 ²
Of which the salaries and the costs are chargeable against:							
The Annuity							107
The Reichsbank							5
The German Railways							9
							121

¹ Exclusive of German minor staff employed for upkeep of building, messenger service, etc.

² Total adjusted to avoid duplication within groups.

Berlin Office address: 33 Luisenstrasse.

Paris Office address: 18, rue de Tilsitt.

Exhibit X

German External Loan, 1924.

Condition as of June 15, 1929, on Completion of first eight months of Fifth Loan Year.

Tranche	Nominal value of bonds outstanding as of October 15, 1928	Nominal value of bonds redeemed by purchase since October 15, 1928 ¹	Nominal value of bonds outstanding as of June 15, 1929	Nominal value of bonds outstanding as of June 15, 1929
American	\$ 91,895,300	\$ 304,000	\$ 91,591,300	\$ 91,591,300
British	£ 11,154,800		£ 11,154,800	£ 11,154,800
Belgian	£ 1,393,200		£ 1,393,200	£ 1,393,200
Dutch	£ 2,323,600		£ 2,323,600	£ 2,323,600
French	£ 2,787,100		£ 2,787,100	£ 2,787,100
German	£ 297,500		£ 297,500	£ 297,500
Italian	Lire 92,582,000	Lire 1,078,500	Lire 91,503,500	Lire 91,503,500
Swedish	S. Kr. 23,432,000		S. Kr. 23,432,000	S. Kr. 23,432,000
Swiss	£ 2,193,300		£ 2,193,300	£ 2,193,300
Swiss	S. Frs. 13,946,000		S. Frs. 13,946,000	S. Frs. 13,946,000

¹ The gold mark equivalent of the currencies representing the capital saving through redemption by purchase amounts to 1,940,64 gold marks, converted as of June 15, 1928.

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